



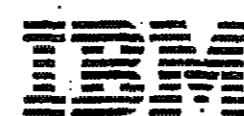
Union realpolitik

Zwickel's strategy
for IG Metall
Page 13



Investing in health

Spend the money on
basic services
World Development Report, Page 7



Choose your weapons

Big Blue empowers
its foot soldiers
Page 9



Cleaning up at home

Russian greens win
their local battles
Page 10



FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY JULY 7 1993

D8523A

German prosecutor to be sacked in row over shooting

German federal prosecutor Alexander von Stahl is to be sacked for his role in a dispute over the shooting of a suspected urban guerrilla, the justice ministry said. The authorities have given contradictory accounts of the shooting, in the northern town of Bad Kleinen, which forced the resignation on Sunday of interior minister Rudolf Seitzer.

S Africa clashes leave 116 dead: The death toll after four days of violence in South Africa reached 116 yesterday as black groups fought in the streets of two townships near Johannesburg. Page 14

Pay-off for Attali: Jacques Attali, who is resigning as president of the European Bank for Reconstruction and Development, is likely to receive a tax-free pay-off of more than £147,000 (£221,000). Page 14

Record rise in De Beers' diamond sales

Diamond sales by De Beers, the South African group which dominates the market, reached a record \$2.54bn in the first half of this year, 42 per cent above the depressed total for the first six months of 1992. The company said special factors had boosted sales, which were unlikely to continue at such levels. Analysts said that even an average second-half performance would send De Beers' rough diamond sales above the record \$4.17bn seen in 1988 and 1990. Page 22

Ashton Mining: Australian diamond miner, is planning an AS12m (US\$7.5m) flotation of its gold production interests. Page 15

Japanese executives sacked: Three executives at Japanese construction company Hazama were sacked after being arrested during a bribery investigation. Page 6

UK attacked over economy: Britain was told by its European Community partners that its measures to curb its £50bn (£75bn) budget deficit were inadequate. Page 14

Krupp-Hoesch: merged German steel and engineering group, reported a half-year loss of DM320m (£18m) because of extraordinary expenditures in its steel divisions. Page 15

Serbian court rejects plea: Serbian opposition leaders may stage mass protests in Belgrade after the supreme court rejected an international appeal to release ailing opposition figure Vuk Draskovic. Page 2

Northwest Airlines: debt-burdened US carrier which is integrating its operations with those of KLM Royal Dutch Airlines, staved off a bankruptcy filing by reaching agreement with its pilots' union on cost cuts. Page 17

Postel: the UK's largest pension fund, announced a £120m (£180m) rescue package for Greycoat which will give it up to 87.7 per cent of the troubled property company. Page 15; Lex, Page 14

Italy's budget approved: The Italian parliament endorsed the mini-budget unveiled in May by Carlo Azeglio Ciampi's government. Page 1

UK car sales up: The UK motor trade recorded an 11.07 per cent year-on-year rise in new car registrations during June. Page 6

German jobless total rises: Western Germany's unemployment rate edged up to 7 per cent last month compared with 6.9 per cent in May. Page 2

47 die in Kashmir violence: At least 47 people died yesterday in Kashmir, where Moslem militants are fighting Indian rule. Page 1

Nokia in phone buy-out: Finnish electronics group Nokia is paying \$1.5m to buy out Tandy Corporation of the US from mobile telephone manufacturing joint venture in South Korea and Texas. Page 15

On the air: Mercury Communications, subsidiary of the UK's Cable and Wireless group, plans to offer airlines an in-flight telephone service for passengers. Page 3

Michelangelo draws record price: A drawing by Michelangelo, sold at Christie's in London for £4.2m (£6.3m), a world record for a drawing by an Old Master. It was bought on behalf of the Getty Museum in Malibu, California. Page 15

STOCK MARKET INDICES

FTSE 100: 2048.1 (+0.6)

FTSE Eurotrack 100: 1203.04 (+0.03)

FT-A All-Share: 1413.02 (+0.36)

Midex: 10,229.78 (+205.72)

New York Stock Exchange: 3,495.38 (+1.39)

Dow Jones Ind Ave: 3,495.38 (+1.39)

S&P Composite: 446.25 (+0.41)

US LUNCHTIME RATES

Federal Funds: 3.14%

3-mo T-bills: 3.012%

Long Bond: 6.05%

Yield: 6.055%

US LONDON MONEY

3-mo Interbank: 5.1% (same)

Libor: 10.74% (107.7)

US MONTH SEA ORL (Argus)

Brent 15-day (Aug): \$17.17 (16.95)

US Gold:

New York Comex (Aug): \$393.1 (396.7)

London: \$391.75 (397.85)

STOCK MARKET INDICES

Austria: Sch 50: Germany: DAX 100: 2048.1

British: Dax 250: Greece: Dax 30: Morocco: MDR 15: 2048.1

Belgium: BPF 50: Hungary: Ft 172: Net: Ft 375: Slovenia: SL 1200

Bolivia: Ls 25,000: Iceland: Ft 221: Nigeria: Nairas: South Africa: FT 1200

Canada: HX 50: India: Rupee: Norway: NOK 18,000: Spain: Pes 120

Djibouti: Cr 10,000: Japan: Sh 65.5: Oman: Cr 50: Sweden: SEK 250

Czech Rep: Kcs 45: Italy: L 270: Pakistan: Pes 45: Switzerland: SF 250

Denmark: Dkr 50: Japan: Yen: 100: Turkey: L 100: UK: £1.25

Egypt: EG 50: Kuwait: Ft 10,000: Poland: Z 12,000: Turkey: L 8,000

Finland: Ft 10,000: Lebanon: US\$1.25: Portugal: E 216: Turkey: L 8,000

France: Ft 10,000: Lux: Ft 100: Qatar: Cr 12,000: Uae: Dh 100

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Austria: Sch 50: Germany: DAX 100: 2048.1

British: Dax 250: Greece: Dax 30: Morocco: MDR 15: 2048.1

Belgium: BPF 50: Hungary: Ft 172: Net: Ft 375: Slovenia: SL 1200

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Missing KIO cash 'used to buy Kuwait liberation'

By Peter Bruce in Madrid

FORMER TOP officials of the Kuwait Investment Office have claimed that \$300m which went missing shortly after the Iraqi invasion of Kuwait was used to buy political support in the west and the Arab world in favour of armed intervention to liberate the emirate.

According to confidential evidence submitted to Kuwaiti investigators looking into the collapse of the KIO's Spanish operation, a slush fund was created in London in 1990 to influence political leaders in countries which eventually came to Kuwait's rescue.

Substantial sums are also alleged to

have been used to buy votes at the United Nations where Security Council votes later provided the legal basis for Kuwait's liberation led by troops from the US, Europe and Arab states.

Members of the KIO's former management, some of whom are accused by the Gulf Emirate of stealing between \$300m and \$510m, have persistently claimed that the missing funds were used to influence political opinion on the instruction of Kuwaiti leaders in exile.

Both the Kuwaiti government and the present management of the KIO deny the existence of such a slushfund.

However in the first official reference to the possible existence of a London-

based slush fund, a Kuwaiti parliamentary committee investigating alleged losses of up to \$5bn from the KIO's Spanish operations has been told that its former chairman, Sheikh Fahad Mohammed Al-Sabah, transferred \$300m from Spain to accounts in London under his control soon after the invasion.

The report, by the parliament's finance committee, quotes Mr David Beets, chief financial officer at the KIO, as telling it in February that "the former president of the Office (the KIO), Fahad Mohammed Al-Sabah, asked him not to mention anything about the transfers that were made from Grupe Torras to his account in London and

which amounted to \$300m in 1990. He justified the secrecy by saying that these sums were confidential and were transferred for political purposes. (Sheikh Fahad) repeated this on several occasions."

Grupe Torras is the KIO's crippled Spanish industrial company. Some \$1.2bn was transferred to Torras from the KIO between August and October 1990 of which up to \$510m cannot be accounted for. Writs issued against many former KIO managers in London earlier this year by Kuwaiti allege that this money was stolen. Mr Ismail al-Shatti, president of the committee, said yesterday that "there were transfers reaching

\$510m without justification. These transfers could be considered outright theft of the country's funds."

Current KIO managers and members of the Kuwaiti parliament say that the former management may be trying to hide the true destination of the money by pretending it was used to help save the country after the invasion by President Saddam Hussein's forces.

However Mr Beets is still highly regarded in the KIO and there is no suggestion of impropriety on his part. His testimony, if correctly reported, carries considerable weight. He was not believed to be in the Bahamas.

Negotiators report progress on tariff-cutting deal that could revive Uruguay Round

G7 summit prospects brighten on trade talks

By Michiyo Nakamoto and Peter Norman in Tokyo

PROSPECTS for today's economic summit of Seven leading industrial nations suddenly brightened in the early hours of this morning as trade negotiators reported some progress toward a wide-ranging tariff-cutting deal.

After nearly seven hours of talks, ministers from the so-called Quad countries - the US, the European Community, Japan and Canada - said progress was made in many areas towards a market access agreement that might breathe new life into the stalled Uruguay Round of trade liberalisation talks.

All participants warned that difficult problems remained to be overcome. But Mr Kabuto Muto, the Japanese foreign minister, gave a hint of the scale of progress when he said agreement had been reached in some areas where the negotiators wanted to reduce tariffs to zero. The ministers declined to be more specific. They will meet again today.

Speaking at around 3am Tokyo time, Sir Leon Brittan, EC trade commissioner, said the negotiators had made progress on "a wide variety of issues" and he hoped for a "successful outcome" today. Mr Mickey Kantor, the US trade representative, was also optimistic, saying he looked forward to today's session.

Earlier, it had seemed that the G7 summit - the 19th since 1975 - would open under a cloud of unresolved trade disputes. A

meeting between US President Bill Clinton and Mr Kiichi Miyazawa, the Japanese prime minister, yesterday failed to heal a dispute between the two countries over cutting Japan's annual current account surplus, currently estimated at about \$150bn.

In a joint press conference, Mr Miyazawa flatly rejected US pressure for numerical targets to reduce the surplus. Showing little of the reticence normally associated with "lame duck" leaders, he said it was impossible for market economies such as the US and Japan to control the level of their imports and exports and so decide the level of their current accounts in terms of a percentage of gross domestic product.

Mr Miyazawa faces a general election on July 18 after losing a vote of confidence. In the Quad talks, disagreements between the US and EC on trade in textiles were at the centre of yesterday's problems.

The US was reported to be unwilling to reduce tariffs further on textiles such as woolen suits where the EC has a competitive advantage. The US fears having to extend the same reductions to China and other countries under the most-favoured nation rule.



Japanese prime minister Kiichi Miyazawa and US president Bill Clinton talk before the summit meeting

Quad meeting less than two weeks ago in Tokyo.

Mr Major underlined the importance of completing the Gatt round, which he said was no less vital to the world economy and creating employment than it was at last year's G7 summit in Munich.

Textiles is the big problem because it is a huge business for the US, for the EC and for third world countries," an official close to the talks said.

Yet in the view of trade analysts, agreement on textiles would greatly help achieve a successful market access package. In addition to lowering tariffs, a textiles agreement would send a clear message to the other members of the General Agreement on Tariffs and Trade that the Quad group was serious about taking multilateral trade talks forward.

Some of the US's trading partners believed that Mr Kantor was keen to strike a deal. But they said the US had not moved its position much since the last

MORSE

In 1976, this cost \$19,000,000.



LAST February, a Cray-1 supercomputer was auctioned for \$10,101. Installed at the Lawrence Livermore laboratory in 1976, it cost \$19m. Its processing power was equivalent to Sun's new SPARCstation 10 multiprocessing workstation (pictured above).

Now the world's fastest desktop MP workstation is available from Morse. And it doesn't need liquid nitrogen to cool it. Sun SPARC

Brussels to reject Dublin's insistence on extra funding

Irish out of luck in EC aid row

By David Gardner in Brussels

THE row sparked by Ireland's blocking at the weekend of the European Community's largest ever regional aid programme looks set to worsen today, as signs emerge that Brussels may not even be able to guarantee Dublin the funding that the Irish government has already rejected.

The European Commission and EC ambassadors to Brussels hold separate meetings today to try to break the logjam, caused by Ireland's refusal to accept less than the 162bn (£7.7bn) that Prime Minister

Albert Reynolds says he was promised at last December's Edinburgh summit.

Mr Jacques Delors, Commission president, is understood to have offered the Irish 157.5bn last weekend, when EC foreign ministers tried to agree on the Community's 161.5bn regional aid programme for 1994 to 1999.

But the Commission is divided on whether Ireland has been offered more than it is entitled to under the criteria set at Edinburgh. Spain, Portugal and Greece - which with Ireland make up the "Cohesion Four" member states ear-

marked for the EC's most generous grants - are objecting that some of the money already offered to Dublin will have to come out of their pot.

"There's a limit to the number of times you can hand out the same money," one EC diplomat said.

Mr Bruce Millan, the Scottish commissioner for regional policy, is insisting on sticking to the Edinburgh criteria. These weigh factors like regional per capita income, unemployment levels, size of population and of rural population. In the 1989-1993 regional aid package, Ireland got 13.5

per cent of funds for the "Cohesion Four" - giving it 2 to 2.5 times more per capita than its poor colleagues - whereas now it is being offered an 11 per cent share.

On the most generous interpretation of Edinburgh, one senior EC official said, "you just about arrive at 162bn for Ireland. Even 167bn would leave Ireland measurably in front of the other three" on funding per head. "There's only so much we can do to get [Mr Reynolds] out of a hole he's dug for himself."

An ambassador from one of the "Cohesion Four" said the

three others were not ready to be flexible. It was not reasonable for anybody to offer something which differs substantially from what was approved by the Edinburgh summit.

If the package is not wrapped up this week for delivery to the European Parliament next week, funding is unlikely to start next January.

It is understood, however, that Mr Reynolds' government is examining ways of dressing up the offer to Ireland, by trying to squeeze more money out of Community regional funding and out from unspent 1989-1993 aid funds.

Serbian court rejects plea for Draskovic

By Laura Silber in Belgrade

SERBIAN opposition leaders were meeting last night to decide whether to call mass protests in Belgrade after the supreme court rejected an international appeal to release the ailing opposition figure, Mr Vuk Draskovic.

President Slobodan Milosevic of Serbia yesterday ignored a plea from Mrs Danielle Mitterrand, the French president's wife, to release Mr Draskovic who last week began a hunger strike in protest against his imprisonment. Mr Draskovic and his wife were arrested and severely beaten at a demonstration in Belgrade last month at which a policeman and a protester were killed.

"He [Milosevic]... did not conceal his displeasure at having to see her," said a member of the Serbian delegation who attended the one-hour meeting. Mr Ivica Dacic, spokesman for Serbia's ruling Socialists, dismissed as "cynical" the intervention of Mrs Mitterrand "while Serbia was in a dungeon".

Leaders of the Serbian Renewal Movement (SPO), Serbia's biggest opposition party, held closed-door meetings after hospital doctors said Mr Draskovic's condition had "deteriorated".

Diplomats in Belgrade yesterday said the "arrogance" of Mr Milosevic could backfire and prompt unrest in Belgrade, the Serbian capital. "People may take to the streets. The prognosis on Vuk is so bad. The supreme court has basically said it works for the regime."

Meanwhile, Serb and Croat commanders at the last minute pulled out of talks with the commander of the Bosnian army which were to have been held yesterday at Sarajevo airport on the establishment of a ceasefire and the safe havens issue.

Reports from all three sides said fighting continued yesterday in north, central and southeast Bosnia.

In the southwestern city of Mostar, Bosnian radio said Croat forces fired on the 16th century Ottoman bridge, which is a UN landmark and the symbol of the battered city.

Moslem-controlled Sarajevo radio said Serb forces in Brcko in north Bosnia brought in reinforcements after suffering heavy losses in fighting with Moslems.

The UN said many key roads were blocked in central Bosnia where Moslems and Croats, allies against Serbs earlier in the war, are fighting for territory.



Images of death: A Croat soldier crouches with his gun at a school window in Mostar above a graffiti skull on the wall below

Le Pen visit ends in transit lounge

By Rachel Johnson

AT LEAST he landed this time. Repelled by the hoteliers and local authorities of Dublin and Edinburgh, Mr Jean-Marie Le Pen, beacon of Europe's far-right, arrived on British soil yesterday - to spend an hour in a dingy Heathrow office, defending himself against accusations of fascism and profanity.

He then flew on to Rome - a city where Mr Le Pen, mentioning Mussolini, said he was "always welcome and courteously received".

This was in contrast to the reception his plans to attend meetings in Dublin and Edinburgh met this week. Hotels, anxious to avoid demonstrations, bounced his bookings and Edinburgh council called his proposed visit "an affront to the people of Edinburgh".

Airport police yesterday forced Mr Le Pen to confine his visit to the British Isles to a suffocating conference room between Terminals One and Two.

Inside, Mr Le Pen contended with hostile questioning about his views and the serial juking that took him to a 5-star hotel in Corfu a fortnight ago and raised questions in the European Parliament about the abuse of public funds. Mr Le Pen produced figures which he claimed showed his accounts were clean.

He said the treatment he had received in Edinburgh and Dublin was "a defeat for the European Parliament, a defeat for democracy and a defeat for international courtesy, but not a defeat for us". As an MEP he held diplomatic status and should be able to travel freely throughout Europe.

Anti-fascist groups would not prevent him from visiting (or trying to visit) one EC country a month, he said.

Having dealt with hospital

ity hiccups, he moved on to the issue of immigration. Mr Edouard Balladur, the prime minister, was a "dinosaur" whose new laws would be hopeless to prevent a "torrent migratoire".

Parliament votes today on a package vital to government finances

Mini-budget a mega-event for Hungary

By Nicholas Denton in Budapest

HUNGARY'S conservative government is set to force through parliament today an emergency budget as unpopular as it is essential to bring wayward government finances into line.

The vote is a crucial test of the parliamentary majority commanded by Mr Jozsef Antall, prime minister, in the wake of recent defections from his Hungarian Democratic Forum. Extreme nationalists led by Mr Istvan Csurka have broken away to form the far-right Hungarian Justice party, and restlessness among the Forum's two coalition allies has even led to speculation that the government could - like the Polish government - fall over the fiscal measures.

But none of the three conservative coalition parties is ready to fight an election and the controversial proposal to increase VAT on food and other staples from 6 to 10 per cent is now expected to pass

today's vote, giving the government a breathing space until autumn and possibly until elections slated for next May.

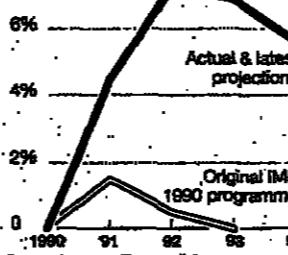
The budget package aims to bring down the public sector deficit from last year's 7.3 per cent of gross domestic product to 6.8 per cent this year and 5.6 in 1994. But slippage is likely. Past budget forecasts have been notoriously over-optimistic, while social security has recently come under partial control of the ex-Communist unions who want pensions to catch up with inflation.

Officials expect, however, that package will be approved and make possible a new accord with the International Monetary Fund, which suspended credits when Hungary's budget deficit careered through agreed parameters in mid-1992.

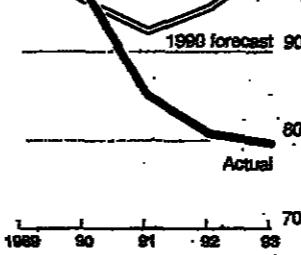
Agreement with the IMF would allow Hungary to take up \$700m in IMF facilities over 18 months and clear the way for World Bank credits to help restructure the most indebted companies and recapitalise the

Hungarian economy

Public sector deficit as % of GDP



GDP 1989-1990



now becoming clear. Tax revenue from them was formerly a budget mainstay but this year the government plans to inject about Ft100bn (£720m) into the troubled banks in special bonds and in future the budget will have to service the debt.

Most of all, however, the budget outlook depends on the timing of recovery. The government earlier predicted a rebound of 0.3 per cent. But the finance ministry now expects a decline of the same order. The main reason is recession in Germany and Austria, Hungary's two main trading partners.

Since then, conditions have worsened. Employment in the Cecimo countries, which include Switzerland, Austria, and Sweden, fell 12 per cent last year to 166,000, excluding eastern Germany.

Its latest document points out that there are some 1,500 European machine tool producers employing an average 125 people each.

Companies making standard machine tools are too numerous and too small to compete effectively on a world market, says the Cecimo document, while the more specialist producers often lack the financial power to develop a global presence and weather recessions.

The infection deep inside Italy's health ministry

Haig Simonian dissects the latest stream of corruption revelations

This year, has sung like a bird. So far, his testimony, widely leaked by magistrates, has cut a swathe through the medical and pharmaceuticals establishment, taking a good swathe at advertising and PR on the way.

The impact of the allegations is that the ministry and some of its top officials were open to financial incentives for a variety of favours.

Magistrates have arrested Mr Ambrogio Secondi and Mr Christian Steigler, chairman and managing director of the Italian subsidiary of SmithKline Beecham, the multinational pharmaceuticals group.

Other arrests include Mr Giampaolo Zambelli, the former owner and managing director of one of Italy's leading pharmaceuticals companies, and Mr Claudio Cavazza, chairman of Sigma Tau, another leading

independent pharmaceuticals group.

Mr Secondi is also chairman of the industry association, while Mr Cavazza is a former chairman.

The latest arrests take to double figures the number of leading drug company executives arrested in the past fortnight. Others include Mr Andrea Montecuccoli of Schiapparelli and Mr Paolo Raimondi of Zamboni.

Mr Zambeletti, accused of making illegal contributions to political parties, allegedly paid £600m (£235,750) to an advertising agency for fictitious services. The money in fact went to finance the election campaign of the small Liberal party, of which Mr De Lorenzo is a leading member.

Mr Secondi and Mr Steigler have also been arrested regarding allegedly illegal contribu-

tions. They are accused of giving Mr Marone £600m to a speed up approval procedures and influence pricing policy.

This week, the plot thickened with the arrest of Mr Elio Guido Rondanelli, one of Italy's best-known medical academics, and the issue of cautionary warrants against Mr Duccio Poggiali and Mr Francesco Antonio Manzoli, two leading medical academics closely linked with the health ministry.

All three men also sat on Italy's independent pharmaceuticals pricing advisory committee, which reports directly to the ministry on the sensitive issue of drug prices. According to the magistrates' allegations, some committee members received kickbacks from drug companies to influence their decisions. Last month, a morbid twist was added to the tale

with the mysterious death, believed to be suicide, in Naples of Mr Antonio Vittoria, chairman of the pharmacy faculty at Naples university and a committee member.

However, the allegations about the health ministry go much further than drugs, reflecting the fact that its edict covers a range of other, less obvious sources, of patronage.

Last week, police arrested Mr Carlo Violati, the former chairman of the Milanese mineral water company, on charges of making illegal political contributions. Mr Violati allegedly paid £200m to Mr Marone to speed up analytical work by the ministry.

Italy is the world's biggest mineral water market, and brands compete fiercely on a variety of factors, including

the "healthiness" of their products. The allegations against Mr Violati have already led to suggestions that other entrepreneurs may have sought to accelerate the ministry's activities.

The investigations into the ministry have also broken new ground in that they for the first time in the corruption scandal involve third parties, such as advertising agencies and big PR companies.

According to Mr Di Tondo's arrest, he believed to concern allegations over the health ministry's big anti-Aids campaign - the same issue that prompted the arrest last month of Mr Aldo Brancher, an executive of Mr Silvio Berlusconi's Fininvest media group.

Mr Brancher, a lobbyist for Fininvest and assistant to Mr Federico Confalonieri, its managing director, allegedly paid Mr Marone £300m in kickbacks on a television advertising contract during the anti-Aids campaign. According to normally reliable leaked testimony, Mr Brancher, who is still in jail, has claimed he was acting in a private capacity on behalf of his own company rather than Fininvest.

agency. The arrest followed the decision last month of Mr Alessandro Incocchia, a former managing director of the Young & Rubicam advertising agency in Italy, and Mr Cesare Di Tondo, an executive of the Burson Marsteller group.

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Mercury to start in-flight phone lines

By Andrew Adonis

MERCURY Communications, a subsidiary of the UK's Cable and Wireless group, plans to launch what it claims is Europe's first "air-to-ground" telephone service later this year.

If the service is taken up by airlines, it will offer air travellers telephone, fax and a range of value-added services like electronic games and in-flight shopping, using base-stations and satellites to provide the necessary links to land-based networks.

The service is to be provided by a joint venture company called In-Flight Phone Europe, bringing together Mercury, In-Flight Phone International, a company providing a similar service in the US, and Irelandia, a private investment group.

Travellers will access the digital network through a telephone handset in the arm-rest of their seat, selecting services from a viewing screen on the headrest of the seat in front of them.

Rates for telephone calls will start at £2 a minute for non-international calls, charged automatically to a credit card.

The initial cost of establishing the network, which will require 60 terrestrial ground stations to provide a complete service, is believed to be around £10m. In-Flight Phone International said it had invested £80m (£53.2m) in its similar US system, which is in the process of being installed in 400 planes operated by USAir.

Mr Mike Harris, Mercury's chief executive, said: "The ability to make calls and receive messages in the air marks a significant breakthrough in communications for all European passengers."

The first phase of the network construction is expected to be finished by the end of this year, with all the ground stations in place by 1995. The equipment will be compatible with both European and North American standards and frequencies.

With telecommunications companies seeking to maximise revenue from value-added services, innovative products like In-Flight Phone, produced in partnership with niche companies, look set to become increasingly common.

Pirelli wins \$53m cable contract

By Haig Simonian in Milan

PIRELLI, the Italian tyres and cables group, Alcatel of France and AT&T of the US have won a \$53m (£35.3m) contract for more than 600km of undersea fibre optic cable for an ambitious communications scheme in South America.

When completed, the new Unisur network will link Brazil to Uruguay and Argentina, greatly improving voice and data links in the southern cone of Latin America.

Unisur's four new fibre optic cables will eventually be able to carry up to 80,000 simultaneous telephone conversations. Unisur comprises 25 international telecoms carriers, including companies from Latin America, the US, Italy and Spain. Once connected with the existing Americas-1 fibre optic network, subscribers will gain a direct fibre optic telecoms link stretching from southern Latin America along the Brazilian coast to the Caribbean and North America.

The link will also allow Brazil, Uruguay and Argentina to hook up with another new fibre optic network, Columbus II, providing a continuous fibre optic connection under the Atlantic to Europe.

Nafta jitters aid US-Mexican trade balance

By Nancy Dunne

in Washington

THE uncertainty over passage of the North American Free Trade Agreement through the US Congress has led to a narrowing of the US trade surplus with Mexico and a fall-off in US exports to its southern neighbour, economists say.

The so-called "Nafta jitters" may prove the Clinton administration's argument that a strong Mexico is a better market for US exports, they add.

In April, the last month for which the US Commerce Department has figures, the US trade surplus with Mexico fell to \$26.4m (£17.8m), from \$39.9m in March and \$58.1m in March 1992. US exports to Mexico in April dropped from \$3.7bn to \$3.6bn.

According to an analysis produced by First Chicago Bank, the tightening in Mexican monetary policy, which began about 14 months ago, has eased demand for imported goods, "while the fitful recovery in the US is increasing the demand for Mexican exports".

Since December the rate of growth of Mexican exports to the US had been higher than imports - for the first time since March 1990, said First Chicago.

"Mexican exports to the US are now increasing at three times the rate for imports from the US."

A Mexican official said: "When people are ready to jump the ship because of

UK cover for Poland resumed

THE Export Credits Guarantee Department, the UK's official export credit insurer, has resumed medium-term cover for Poland after an 11-year lapse which followed Poland's partial default on its foreign debt in 1982, writes Anthony Robinson.

Mr Richard Needham, the UK trade minister, said cover would be available on standard OECD terms to support exports of capital goods, semi-capital goods and services to Poland.

Resumption of ECGD cover, designed to improve UK exporters' opportunities in the Polish market, reflects Poland's successful re-negotiation of its \$33bn (£22bn) debt to the Paris Club of official creditors in 1991.

Polish-UK trade has grown over the past two years but has been held back by bank financing difficulties and the lack of ECGD cover. In 1992 UK exports, boosted by rising oil sales, increased to £605m from £247 in 1991 while Polish exports to the UK rose from £213m in 1991 to £256m last year. The first quarter of 1993 showed gains, with UK exports up 65 per cent to £170m while imports from Poland rose 20 per cent to £101m.

China on a wing and a prayer

Simon Holberton on a Hong Kong investor's move to mainland

"I WENT to have a look, and there I was standing knee deep in a paddy field talking to the village headman who boasted that his was the best village in China." On the strength of that, Mr Patrick Wang, managing director of Johnson Electric, one of the world's leading manufacturers of micro-motors, made the most important decision in his company's life.

The year was 1982 and the place Shajing, a small rural village in Guangdong prefecture north of Shenzhen. Today in Shajing - which has been transformed from a sleepy rural community to a light industrial town - Johnson produces 90 per cent of its output of micro-motors - motors for electric windows in Volkswagen, General Motors and Chrysler cars and a host of household appliances and power tools.

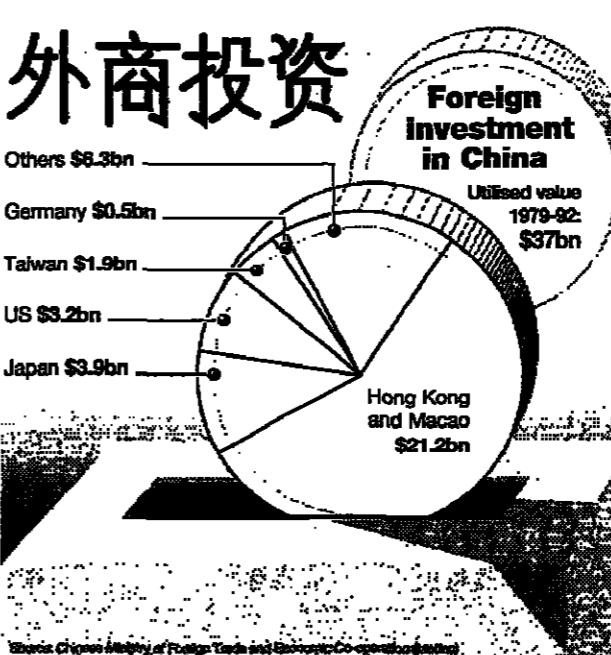
In the space of a decade the Hong Kong-based Johnson has gone from employing a few hundred to 7,000 workers at its Shajing factories. Mr Wang reckons that his prices would have had to be 30 per cent higher if he had stayed in Hong Kong and if he could have found the people to hire - a big if.

He says his investment in China has been paid back "many times over", and points to Johnson's post-tax return on investment of 20 per cent over the past few years. However, investing in Shajing has not been trouble-free.

"We had problems at different stages," Mr Wang says. "Initially electricity was not a problem, but as more factories set up in Shajing it became one. There was rationing, so we put in our own power plant. Water was also problem. We were forced to dig our own wells and when they ran dry - because the water table had fallen - we had to dig deeper."

The explosive growth in industrial activity also took its toll on the workforce. Today, Mr Wang says, most of Johnson's original employees, having got rich, have moved elsewhere. The workforce now comes from China's interior and that means having to house them.

For most of Johnson's decade in southern China the output of its factories has been



Access to information is explicitly linked to *guanxi* networks. Information is held within the network and exploited for profit.

"There will be crackdowns on corruption, but China is not too different from the way Taiwan was. But it is not something that is out of hand, with no regard to the overall economics of a venture, like it is in Indonesia."

Developing a network is something to which Mr Wang is devoting considerable time. "I attend shows and technical seminars, use referrals and word of mouth. Also a lot of our customers - such as Volkswagen, General Motors and Chrysler - have operations in China and we can sell to them. You have got to use whatever you have."

He believes that for a western company, cracking the Chinese market is difficult. "You cannot depend on finding management or administrators in China - they do not exist," he says. "Western companies will have to identify managers in their companies who represent the core values of the organisation. If they decided the China market is crucial to them they then have to send them to live in China."

MALAYSIAN Resources Corporation (MRCB) disclosed late yesterday plans to take over a proposed M\$3.5bn (£289m) power-station project and acquire a listed vehicle for the power venture. AP-DJ reports from Kuala Lumpur.

Malaysian power plan unveiled

By Haig Simonian in Kuala Lumpur

The announcement came a week after the company completed M\$800m in acquisitions that gave it control of two national media groups.

The transactions will transform MRCB into the nation's largest independent electricity producer, fleshing out the company's speedy metamorphosis from a small property concern to a diverse group.

It is controlled by parties allied with Mr Datuk Seri Anwar Ibrahim, finance minister, with equity interests in two planned electricity projects and controlling stakes in Malaysia's largest print media group and only private television broadcaster.

But MRCB's rapid ascension has left it saddled with a cumbersome debt burden.

Analysts said they saw the latest power-related proposals adding to the burden while offering no immediate return.

At 10:45 this morning, another legendary event occurred in Nottinghamshire.



Toray Textiles Europe Ltd, Mansfield Plant in Nottinghamshire.

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US and Japan seek to break trade deadlock

By Charles Leadbeater and Jurek Martin in Tokyo

NEGOTIATORS from the US and Japan were last night preparing for two days of intensive talks in an attempt to break the deadlock over a framework governing trade between the two countries.

However, US officials played down the prospects of an imminent breakthrough based upon compromise proposals made last week by Mr Kiichi Miyazawa, the Japanese prime minister.

Mr Miyazawa's proposals have breathed new life into the bilateral talks, which resumed on the eve of this week's Group of Seven economic summit in Tokyo after stalling 10 days ago. However, the two sides are still sharply divided. Japan is resisting US calls for Tokyo to accept numerical targets for increasing imports and reducing Japan's \$50bn current account surplus with the US over the next three years.

President Bill Clinton, speaking after an hour long meeting with Mr Miyazawa yesterday afternoon,

admitted that the talks were in a critical period and were not "free of difficulty".

Mr Clinton praised Mr Miyazawa for reaching across the gap which divided the two sides to keep the talks alive. Mr Clinton said: "We have hopes. I do not want to raise hopes, but we have hopes."

Japanese officials said Mr Clinton called Mr Miyazawa's proposals a "useful first step". However, the Japanese proposal falls short of US demands in crucial areas.

Japan's government says it will

stimulate domestic demand to promote growth, which will contribute to reducing the trade surplus. However, it explicitly rules out targets to reduce the surplus to between 1 per cent and 2 per cent of gross national product, which the US has called for.

Tokyo has conceded that it will use quantitative criteria retrospectively to monitor progress in expanding the foreign share of the Japanese market. However, it has ruled out using these measures as targets to guide policy.

A senior Japanese official said:

"We fear that as soon as we include a target it will be taken in the US as a commitment on our part to make sure that it achieved."

Mr Clinton stressed the US commitment to its often overlooked security alliance with Japan, as a counterpoint to the tensions over trade. He emphasised the US would maintain its military engagement in Asia, a theme he will take up at greater length today in a wide ranging speech at Waseda University on the US role in Asia.

Mr Clinton took a benign view on

the political turmoil in Japan created by the splits within the ruling Liberal Democratic Party which triggered the general election on July 18. He said the political upheaval would eventually benefit Japan by strengthening its democracy.

However, US officials recognise that if they do not strike deal on trade with Mr Miyazawa's weakened administration in the next few days they may have to wait weeks if not months before a new Japanese administration is in place to resume substantive negotiations.

Major to 'badger and bully' for Gatt progress

By Peter Norman

MR John Major, the UK prime minister, last night promised to "badger and bully" to achieve progress on the stalled Uruguay round of trade liberalisation talks at this week's Group of Seven summit in Tokyo.

Declaring that growth, unemployment and trade were the "centrepiece" of the summit, Mr Major said it was important to make progress on trade this week.

"Very much hope that by the end of the summit, we shall have a market access agreement opening up markets, lowering tariffs and increasing trade," he said.

Shortly after his arrival in Tokyo, the prime minister said, he also hoped the summit could reach agreement to return to the full multilateral trade talks in Geneva. But "it won't be easy," he warned.

Mr Major was speaking as trade ministers from the so-called Quad group - comprising the US, the EC, Japan and Canada - settled down for talks late into the night on the hoped-for market access pact designed to lower tariffs on a wide range of manufactured goods and services. If successful, the Quad talks could give new impetus to the Uruguay Round.

Mr Major said Britain could quickly reach agreement on the Round but other countries had difficulties. British officials pointed out that even if progress was made on the trade talks this week, the outcome would have to be "multi-lateralised" and be accepted by the wider Gatt membership.

The prime minister said he would advocate supply side economic policies to encourage growth in the industrialised world and would push in the G7 meeting for future economic summits to be more simple.

Mr Major said President Bill Clinton had been right to speak of a crisis of slow growth in the G7. With 23m people out of work in the G7 countries "the only thing that is growing fast is unemployment," he said.

Clinton (left) and Miyazawa enjoy a lighter moment in Tokyo yesterday



EC urges Miyazawa to stimulate growth

By Peter Norman, Economics Editor, in Tokyo

THE European Community yesterday pressed Japan to open its public procurement more to European products and suggested that Japan should cut income tax to help boost its economy.

At an EC-Japanese summit on the eve of the Group of Seven leading industrial nations' economic summit in Tokyo, the community delegation said it was "disappointed" at the efforts made so far by Japan to stimulate economic growth. It described Japan's \$150bn annual current account surplus as a "macro-economic problem for Japan and the world".

Mr Henning Christensen, the EC's commissioner for economic and monetary affairs, said Japan's two economic packages agreed last August and in April would not be sufficient to raise Japan's growth rate to its potential of 3 to 3.5 per cent a year. He also criticised Japanese growth measures as being mainly designed to increase demand for domestically produced goods and services. They would not promote growth elsewhere in the world, he said.

The EC delegation called on

Mr Kiichi Miyazawa, the Japanese prime minister, to urge measures to cut Japan's current account surplus as a share of gross domestic product from the 2.7 per cent recorded in the second half of last year. Mr Christensen said he feared that Japan's surplus could grow further next year to 4 per cent of GDP.

But the talks, while frank, appeared not to have been acrimonious. Mr Miyazawa admitted that Japan's current account surplus was embarrassing and said Japan wanted to increase domestic demand.

However, Sir Leon Brittan, the EC trade commissioner, said the Japanese leader gave no specific promise to take action. Mr Miyazawa asked the EC delegation if it had any ideas that could help, at which point the EC suggested that Japan cut income taxes.

On one issue, the EC and Japan were united. Sir Leon said the community had made clear that it did not support the US idea of "managed trade" to curb Japan's surpluses.

However, he told a news conference that the community would seek a "fair opportunity" to supply goods to Japanese public bodies.

Tokyo pushes to win entry to bigger security council

By Charles Leadbeater and Peter Norman in Tokyo

JAPAN yesterday formally lodged its bid for a permanent seat on an enlarged United Nations security council by pledging that it would discharge all the obligations that this would entail.

Japan's response to the UN on plans to restructure the security council calls for it to be expanded to about 20 members. In choosing permanent members the UN should give due weight to the country's political and economic weight in the world, according to the Japanese.

Tokyo's campaign for a permanent security council seat, which has recently won the support of the US, may put it at odds with the UK and

France. Japanese officials stressed that the proposal for an expanded UN security council was intended to avoid disadvantaging existing members.

Mr John Major, the UK prime minister, said the question of Japan's wish for a seat was one that needed to be taken "very gently."

Speaking shortly after his arrival in Tokyo for the Group of Seven summit, Mr Major said there were "lots of ramifications" not least the competing demands of other countries that would like to be permanent members of the security council.

Discussions on the issue would last for some time, he predicted.

Japanese officials have taken a low key approach to winning

support for their campaign. Mr Kabun Muto, the foreign minister, said that Japan wanted to make the security council more representative while maintaining its effectiveness in dealing with international disputes.

He said Japan wanted the restructuring of the security council to coincide with the United Nations' 50th anniversary in 1995.

Japan's claim to be ready to deal with the crises the security council addresses was undermined by it missing the deadline for responses to the UN consultation paper on the council's future. This was because different arms of the bureaucracy were at odds over how many seats the expanded council should have.

'Lack of leadership' hits Uruguay Round hopes

By David Gardner in Brussels

THE chances of concluding a Uruguay Round world trade reform deal are slipping away because "nobody is exerting the leadership to force this thing through," according to Mr Dean Kleckner, president of the American Farm Bureau, the US agricultural lobby.

Mr Kleckner in Europe for talks with the EC Commission, French farm organisations and General Agreement on Tariffs and Trade officials in Geneva, said he had arrived with "a little better than 50/50" prognosis for the Round, but was leaving Brussels feeling the odds were now again against a deal. If the Round failed, he

warned, "we are going to enter a period of trade wars, Gatt [disputed panels]... and more regional and bilateral trade deals" in which the US would turn its back on Europe.

The oilseeds agreement was ratified by the EC last month, but French opposition to curbs on subsidised food exports has called into question the rest of the package, which is part of the Uruguay Round proper.

Mr Kleckner said he won assurances from senior Commission officials that the EC regarded the deal as indivisible. But he warned that if the Uruguay Round part of Blair House "is going to be renegotiated, oilseeds has to be renegotiated too. We didn't think that was a very good agreement at all."

NEWS: THE AMERICAS

Mexico City puts its property money where its slums are

Damian Fraser on an ambitious real estate development

ON THE western outskirts of Mexico City lies Latin America's largest and most ambitious real estate project. What a few years ago were slums, strip mines and rubbish dumps are soon to be sparkling corporate offices of some of Mexico's best-known companies - Televisa, Banca Serfin, Bimbo, and the subsidiaries of Goodyear, General Motors, Hewlett-Packard and Mercedes-Benz.

The \$5bn-\$10bn, 2,100-acre Santa Fe project, just outside the city's most exclusive residential neighbourhoods, is the brainchild of the Mexico City government. Once the poorest and most dangerous part of Mexico City, it is now the most striking symbol of what is fast becoming a property boom in one of the world's largest cities.

After a decade of stagnation, Mexican developers are putting up new office blocks throughout the city - in the financial district, in the fashionable western part of the city and in the south, along the ring road.

According to Sofica, a consultancy, some 575,892 sq m of top quality "AAA" office space is under construction, more than the existing stock of such space.

The growth has been fuelled

by optimism about Mexico's economic prospects and the shortage of quality space. A sharp reduction in interest rates from 50 per cent or more a few years ago to less than 20 per cent has also enabled developers to raise the necessary finance.

Construction, from accounting for less than 2 per cent of total bank loans, now represents more than 8

group, one of Mexico's biggest property developers. "The first thing we are going to see now is a reduction in prices."

Since 1988, Mexico City's top quality office rents have risen from an average of \$20 a sq m to \$40 last year - making them as much as double as, say, the equivalent in Los Angeles. But Mr Sanchez says rents have stabilised this year, and

the next six to eight years.

By the end of the year stage one will be complete, and Latin America's largest shopping centre, of some 200,000 sq m, and 10 state-of-the-art corporate offices will be open.

Elsewhere the city has given the green light to five new giant five-star hotels, including a 55-storey Ritz Carlton hotel and office block that will be Mexico City's tallest building. The state trade bank is helping to finance the \$100m refurbishment of the huge but unoccupied World Trade Centre, which was started in the 1960s to be ready for the 1968 Olympics but was never completed.

The construction boom is not uncontroversial. Mexico City accounts for some 37 per cent of Mexico's gross domestic product and suffers from some of the world's worst pollution, houses the country's oldest and most inefficient industrial stock and is running precariously short of water.

Mr Homero Aridjis, a poet and environmentalist who has just written a novel on the future of Mexico City, says: "It doesn't matter whether people work in industries, on the street or in universities, they all pollute. What we need is decentralisation and a stabilisation of population."

Ecuador boost from World Bank

By Raymond Collett in Quito

THE WORLD BANK has approved a \$75m credit to "reactivate" Ecuador's private sector, particularly agriculture and construction. The aim is to invest in labour-intensive but profitable industries, said government officials.

Mr Leonardo Stagg, director of the Ecuadorian National Finance Corporation, said the \$75m credit was part of a \$200m joint loan from the Inter-American Development Bank, the Andean Corporation for Development and the World Bank.

Mr Shahid Hussain, World Bank vice president for Latin America and the Caribbean, said the World Bank was committed to support programmes of economic growth and development in countries such as Ecuador, which had engaged in serious and responsible projects.

As well as providing desperately needed funds to revitalise the economy, the new credit is aimed at boosting confidence among foreign investors.

"This is a clear indication of the confidence that international credit institutions now have in Ecuador," emphasised President Sixto Durán Ballón. The new credit comes as Ecuador is struggling to renegotiate \$3.5bn in commercial debt with creditor banks.



Ruling party powers ahead in gubernatorial elections

By Damian Fraser in Mexico City

MEXICO'S ruling Institutional Revolutionary party (PRI) has won an overwhelming victory in elections for governor of the state of Mexico, the country's most populous state and formerly a region of opposition strength.

With counting almost completed the PRI had won 57.9 per cent of the vote, against 27.5 per cent for the PRD, whose leader, Mr Cuauhtémoc Cárdenas, has declared his candidacy in next year's presidential election, when President Carlos Salinas de Gortari stands down. Mr Cárdenas carried the state in the 1988 presidential election, and in the 1990 gubernatorial election the PRD won 14 per cent of the vote.

The PRI also won a sweeping victory in the election for governor in the state of Nayarit. Although both opposition parties complained of irregularities, the result is undoubtedly a blow to the PRD, whose leader, Mr Cuauhtémoc Cárdenas, has declared his candidacy in next year's presidential election, when President Carlos Salinas de Gortari stands down. Mr Cárdenas carried the state in the 1988 presidential election, and in the 1990 gubernatorial election the PRD won 14 per cent of the vote.

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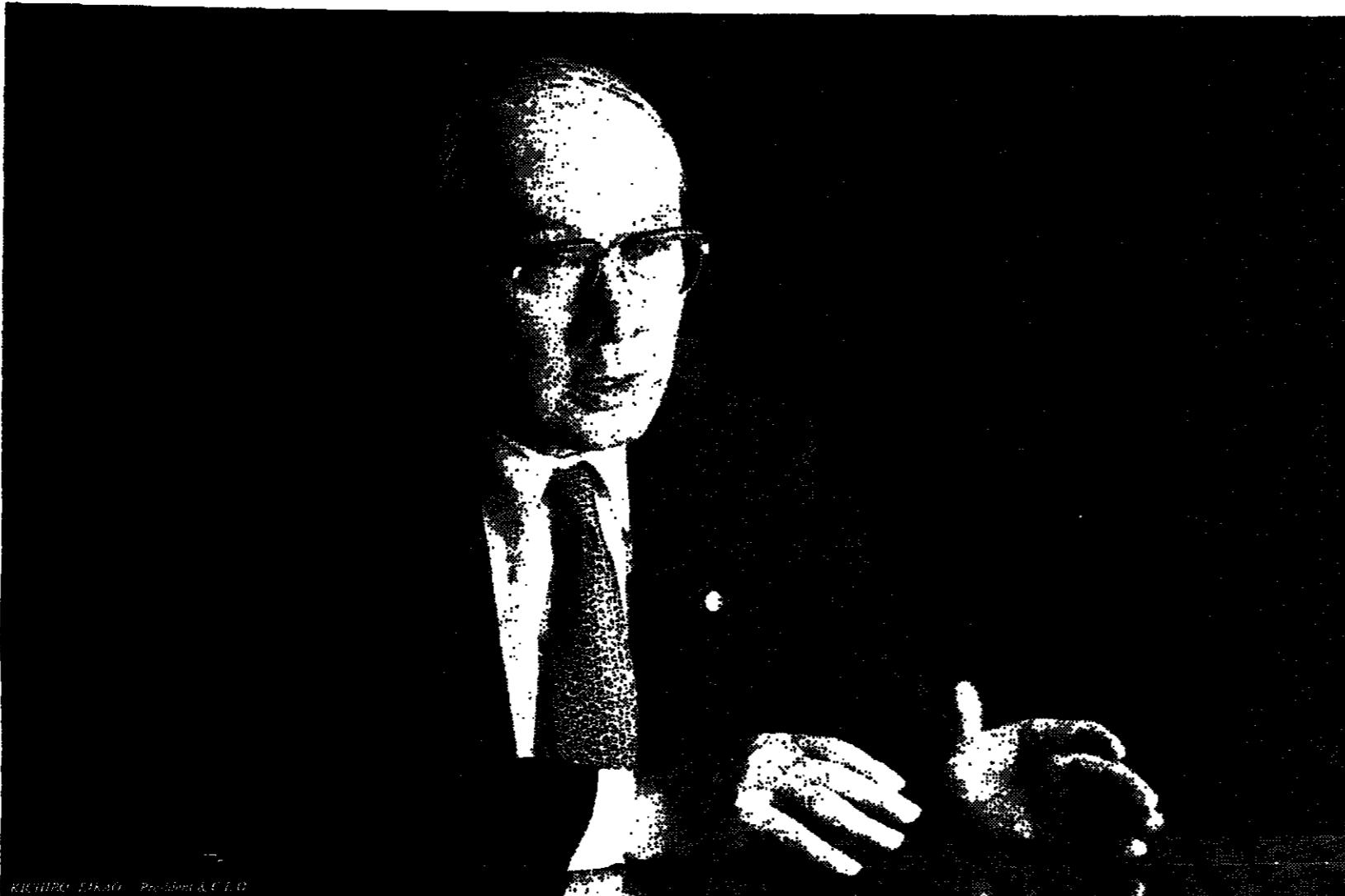
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Anniversary 75th

Nikko does not rest on its past achievements. It is moving forward.



KICHIRO TAKAO President & CEO

The Nikko Securities Co., Ltd., celebrates the 75th anniversary of its foundation on July 7, 1993. To mark this occasion, Kichiro Takao, president and chief executive officer of Nikko Securities, gives his views on the Japanese stock market and talks about the future prospects and challenges facing Nikko.

— What is your view of the Japanese stock market?

The stock market has firmly established itself as an integral part of the Japanese economy. I am confident that it will also play an increasingly important role in both the domestic and international economies. I am looking forward to seeing the market develop and grow, and Nikko is mindful of its responsibility and role in promoting this.

During the past three years of contraction, it has become more apparent that the market does not exist only to serve a handful of investors and issuers. We in the securities industry are obliged to enhance the liquidity, transparency and fairness of the market.

— What is your management strategy for Nikko?

In terms of the market environment, I think that 1993 is a symbolic year, given the fact that we have to compete directly with banks now that they have been allowed to participate in the securities business. Next year, the broking commission for large-lot stock transactions is also scheduled to be deregulated.

In order to respond to changing market conditions, we have to continue making our operations more cost-effective and more capable of generating increased earnings growth. At the same time, we will vigorously improve our financial engineering and innovation skills so that we will be able to strengthen further our sales capabilities.

Above all, our No. 1 priority remains to maximise customer satisfaction at both the retail and wholesale levels. I believe that continuous cost-cutting efforts are the correct approach to enable us to provide our customers with better quality services. In this connection, we will continue to review and consolidate our branch network with a view to serving our customers in a more cost-effective way by taking advantage of

advances in communications. Similarly, we will have to streamline the company so as to make it capable of functioning more efficiently with less personnel. I would like to emphasise again that the ongoing management objective is to improve the quality of our services. What we are doing is far from retrenchment. Indeed, we are increasing our strategic investment and strengthening our position in the key markets in which we operate.

— Is Nikko prepared to face the ever-growing competition in Japan and abroad?

Definitely, yes. We welcome the liberalisation of markets and the presence of new competitors—like banks in the Japanese securities market through their subsidiaries—because we expect such developments to create more business opportunities in the given markets. Of course, they may cause some hard times for us in the short term. But if you have the experience and the expertise, you will become more competitive in the long run.

— How do you reshape Nikko beyond the current difficult time facing the whole of the Japanese securities industry?

It is true that the securities industry is now tackling a host of problems which have been overlooked in recent years. This restructuring process, I believe, is giving the industry the best opportunity to review its activities and make a leap forward.

As for Nikko, we embarked on a major three-year restructuring programme in September 1992. We will continue to implement this programme even if the Tokyo stock market becomes buoyant, as our foremost goal is to make the company less vulnerable to market fluctuations. In other words, the management of Nikko will be strengthened by our restructuring programme and we expect to become even more competitive.

— What is Nikko's strategy overseas?

We will continue to strengthen our presence in the international marketplace. I would never think of reducing Nikko's presence overseas. Any company that trims its overseas operations would be regarded as a regional firm. That will never be the case for us.

On the equity side, Nikko has a reputation as one of the major equity houses in the world. Indeed, we have been actively involved in a number of global equity offerings. However, being strong in equities alone is not enough. In the Eurobond league table of all currencies, Nikko ranked 11th in 1992. We now have to work harder to become a really powerful international bond house.

As part of this strategy, we are committed to strengthening our position in the Japanese bond market. For instance, we have been very active in underwriting Japanese government bonds and lead managing utilities' bonds issued by Japanese electric power companies. In the past three years, our track record in these sectors has been impressive. We are particularly proud of becoming the lead manager for the City of New York's first Samurai bond issue.

This year, we have been more active—through our London subsidiary—in underwriting straight bond flotations by non-Japanese issuers. The London subsidiary is increasing its underwriting activities, including the underwriting of a yen-denominated global issue of the World Bank, among others.

I do not deny that we have been more of a yen-oriented bond house to date. But we are now moving forward to become a major player in the international bond market capable of handling all other major currencies.

In addition to our activities in Europe and North America, we are well positioned to serve customers in the fast-growing economies of Asia in the fields of both funding and asset management. Furthermore, Japanese institutional investors are showing interest in Asian equities. As a result, it is important for us to allocate a considerable amount of resources to our Asian operations.

These are the challenges and opportunities facing Nikko in the 1990s. I am confident we will respond positively to them.

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Nigerian military offers role to parties

By Paul Adams in Lagos

NIGERIA'S military government yesterday offered the two civilian political parties a role in an interim national government in a deal that would involve dissolving all democratic institutions.

President Ibrahim Babangida proposed the deal as an alternative to holding fresh elections at the end of July.

This apparent attempt to meet the deadline for ending military rule on August 27 without confirming the victory of Mr Moshood Abiola of the Social Democratic Party in the June polls may exacerbate the civilian protest movement which has paralysed most economic activity in Lagos so far this week. Furthermore, it would not meet conditions for restoring aid suspended by donor countries last week.

Gen Babangida said he found the two army-created parties, the SDP and the National Republican Convention (NRC), "picks apart" when they met on Monday night.

The SDP stood by its rejection of fresh elections by the end of July with new candidates, which the NRC would support. The senior candidates who were banned during the previous presidential campaign last October have also refused to stand again.

The president has given the two parties until tomorrow to consider the options. If they accept the national government proposal, all the elected civilian arms of government are likely to be dissolved, including local councils, state governors and the House of Assembly and the two parties could also be scrapped.

According to a state radio broadcast yesterday Gen Babangida said the proposed national government would not include him and he urged the parties to adopt the plan in the national interest, which was "to achieve a termination of the military regime by August 27". A presidential spokesman said that the armed forces would have no role in the government.

The first organised civilian protest against the military government's manipulation of the electoral system is finding strong support in Lagos.

Japanese executives sacked in bribery probe

By Robert Thomson in Tokyo

THREE EXECUTIVES at a leading Japanese construction company, Hazama, were stripped of their posts yesterday after having been arrested as part of a public prosecutors' office investigation into the alleged bribery of a regional mayor.

The dismissal of Hazama's chairman, president and senior managing director by its board came as fresh controversy arose over requests by Mr Yoshiro Hayashi, finance minister, to banks for funds to fight a general election on July 18.

Several business leaders have criticised Mr Hayashi's requests to the

banks, and Mr Tadashi Okuda, the chairman of the federation of bankers' associations, was forced to defend the industry's separate provision of Y10bn (£60.7m) in loans to the LDP election campaign.

Mr Okuda said the loans, from eight commercial banks, were justified as the LDP was a party that

would maintain a "parliamentary democracy and a free economy".

However, he warned it would be an abuse of position for Mr Hayashi to expect increased funding because he had become finance minister.

The requests by Mr Hayashi have been queried by the Keidanren, the federation of economic organisa-

tions, which said they could lead to "misunderstandings".

Meanwhile, the Japan Association of Corporate Executives yesterday said companies should consider a cut in LDP donations to release funds for new parties. Official donations to the LDP are estimated at Y13bn a year, but unofficial and

illegal donations are thought to be many times that figure.

In the Hazama case, prosecutors continue to question Mr Toru Ishii, mayor of Sendai, in the north, alleged to have received Y10bn from four construction companies in the expectation they would be hired for public works projects.

Business backing slips away from ruling party

Charles Leadbeater examines growing divisions of interest among the LDP's corporate donors



THE divisions that have split Japan's ruling Liberal Democratic party are working their way through the party's bedrock, its business support. Traditional LDP supporters in industries such as construction and machinery regard the recent split in the party's ranks as a disaster.

Mr Takeshi Kaname, managing director of Yamazaki Mazak, the leading machine tool manufacturer, remarked: "The divisions are terrible, nothing but bad news."

Yet he is far from being in a majority. Business executives from newer industries such as electronics and cars, which are more dependent on international trade, say they support political reforms which could strengthen new parties.

Mr Takeshi Nagano, chairman of the Federation of

Employers' Associations, believes the new parties created by breakaways from the LDP could bring benefits to business, partly by displacing the Socialist opposition. Commenting on the Japan Renewal party led by Mr Tsutomu Hata, the former finance minister, Mr Nagano said: "I would like to see the new party become one wing of a two-party conservative political set up."

These divisions came to a head last week when the heads of Japan's four largest employer federations had a hastily convened summit.

They decided to review their relationship with the LDP after the election. Business may fund the new conservative parties if they emerge from the poll strong enough to offer a durable alternative to the LDP.

At first sight Japanese industry's interests in fostering a challenge to the LDP seem perverse. Business has done extremely well from LDP policies over the past three decades which have been designed to favour it often at

the expense of consumers. For instance, Japan still lacks a basic product liability law common in other countries. Mr Hata's new party is conservative but it claims to champion the rights of consumers and plans to come to

the old days when Japan set out to catch up with the west it made sense for business to build close relationships with political parties. But now Japan is an economic superpower and the cold war threat is gone. We no longer have to

aren, the largest employers' federation, explained: "Japan needs stronger, more enlightened politics to open debate on how Japan should fulfil a large international role. We just do not debate these issues at the moment. We need more political openness."

He went on: "We want decentralisation at home so that bureaucrats in Tokyo have less power to set detailed regulations in local areas. If a business wants to do something - extend a road or build a factory extension - they often have to apply to Tokyo first. This creates huge bottlenecks."

The official concluded: "The development of two competing parties, a conservative party and a more liberal consumer oriented, internationalist party, is a part of Japan becoming more mature."

This developing division in politics reflects a similar trend within industry. The LDP has held together a very wide coalition of business support stretching from domestic farmers and small businesses, to

large high-technology manufacturing companies exporting 80 per cent of their output.

It is becoming increasingly hard for the party to satisfy both wings of its business coalition. Manufacturing exporters' interest in free trade is increasingly at odds with the protection of rice farmers, for which Japan is regularly criticised by its trading partners.

Heavy industries such as steel and chemicals, which benefit from traditional government public building programmes designed to boost the flagging economy, are at odds with retailers and consumer goods makers who want a cut to revive consumer spending in urban areas.

An imbalance in how industries wield political influence also favours domestically oriented sectors. Construction companies can target their financial support at politicians who will influence how public sector contracts are awarded.

However, consumer industries

cannot target their political support in this way.

As a senior executive with a consumer electronics manufacturer explained: "We need to change general policies such as the retail laws and tax policies to help our business. That means changing the way politicians in general think, not just a few key people. That is why we favour more political debate because that is the only way to get different policies discussed."

But perhaps the most pressing reason for business reconsidering links with the LDP is the way the political corruption tarnishes the image of business.

This is already having an impact on the LDP's finances.

The party had hoped to borrow Y25bn (£155m) from a syndicate of large banks to finance its election campaign. The banks trimmed that to Y10bn because they did not want to be seen bankrolling the LDP.

Even the construction industry federation last week adopted tougher guidelines to limit political donations by member companies.

UN report calls for new policies on migration

By George Graham in Washington

NEW policies are needed to cope with a rising tide of migration, both from the country to the city and across national borders, according to a new report from the United Nations Population Fund.

The report warns that millions of migrants will create economic and social strains in countries of immigration and emigration. Governments will have to take new measures to reduce the pressure to migrate.

But government policies

aimed specifically at limiting rural-urban migration have generally been unsuccessful, the report says, because they have not been linked to the country's overall trade, industrial and agricultural policies, which exert a much stronger pressure on population movement than regional strategies.

The report says that around 100m people, mostly in the developing world, are now international migrants. The number of asylum seekers and refugees is rising most rapidly, and may account for 20 per cent of the total.

Money sent back by migrant workers to their home countries may now total \$70bn a year, the report suggests - second in value only to the international oil trade.

The global population, estimated at 5.57bn in 1993, is projected to rise to 6.25bn in the year 2000 and 10bn in 2050. While annual population growth is estimated at 1.7 per cent worldwide, this conceals a wide disparity, with Africa's growth rate at 3 per cent and Europe's at only 0.3 per cent.

Age structures are also diverging. In Africa, the number of people under 15 has tripled over the last 40 years, and the proportion has remained around 40 per cent; in Latin America the proportion of under 15s peaked in 1965-70 and has been falling rapidly ever since, while in east Asia the proportion has dropped to 26 per cent.

"The State of the World Population: UNFPA, 220 East 42nd St, New York NY 10017."

NOTICE OF ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE MALAYSIA CAPITAL FUND LIMITED

Notice is hereby given that the Annual General Meeting of the Shareholders of The Malaysia Capital Fund Limited (the "Company") will be held at Cayside Galleries, Harbour Drive, George Town, Grand Cayman, Cayman Islands, British West Indies on 30th July 1993 at 10:00 a.m. when the following ordinary business will be transacted:

- To receive and consider the Financial Statements of the Company and the reports of the Directors and the Auditors for the period ended 31st March 1993.
- To resolve that no final dividend be declared and that the Revenue Reserve of the Company amounting to US\$73,381, be carried forward and considered for distribution by way of dividend in the ensuing year.
- To re-elect a Director.
- To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
- To transact any other business which may be properly transacted at an annual general meeting.

By Order of the Board
Meissner (Cayman) Limited
Secretary

Registered Office: Cayside Galleries
Harbour Drive, George Town, Grand Cayman
Cayman Islands, British West Indies

Notes:

- Proxy forms may be deposited at Meissner N.V. Rokin 55, 1012 KK Amsterdam, The Netherlands, Attn: Mr F. H. Boer, Corporate Finance and Capital Markets Department, no later than the time specified above for the holding of the meeting.
- Proxies need not be members of the Company.
- No Director of the Company has a contract of service with the Company.

Notice to holders of International Depositary Receipts in respect of ordinary shares of US\$1.00 each in THE MALAYSIA CAPITAL FUND LIMITED

Notice is hereby given that the Annual General Meeting of the Shareholders of The Malaysia Capital Fund Limited (the "Company") will be held at Cayside Galleries, Harbour Drive, George Town, Grand Cayman, Cayman Islands, British West Indies on 30th July 1993 at 10:00 a.m. when the ordinary business as set out in the Notice of the said meeting set out above will be transacted.

Holders of International Depositary Receipts ("IDRs") representing the ordinary shares of US\$1.00 each in the Company ("the Shares") should note the following:

(a) Holders of IDRs have no right in their capacity as such to attend, vote or speak at the Meeting referred to above.

(b) Holders of IDRs may instruct in writing Morgan Guaranty Trust Company of New York (the "Depositary") as to the exercise of the voting rights (if any) attributable to the Shares. The Depositary will endeavour, so far as practicable and subject to any applicable provisions of law or of the Memorandum and Articles of Association of the Company, to exercise such voting rights in accordance with such instructions.

(c) Instructions given to the Depositary shall be in writing and shall not be valid unless there shall be delivered at the addresses specified below therewith either (i) the IDR in respect of the Shares for which such instruction is given or (ii) a certificate from an agent of the Depositary to the effect that such IDR has been deposited with it and is to be held in a blocked account until after the time at which the voting rights in respect of which the instructions has been given may be exercised.

(d) Prior to 27th July, 1993, no instructions are transmitted in accordance with (c) above to the Depositary for the voting of any Shares at the Meeting referred to above, the Depositary shall use its best endeavours to give a discretionary proxy to a person nominated by the Company in respect of such voting rights.

(e) Copies of the Notice of the Annual General Meeting issued by the Company to shareholders, dated 11th June 1993 containing details of the Resolutions to be proposed at the annual General Meeting; (ii) the Annual Report of the Company for the period ended 31st March, 1993; (iii) the Memorandum and Articles of Association of the Company and (iv) the Deposit Agreement dated 5th March, 1990 are available for inspection by holders of IDRs at the offices specified below during normal business hours on any business day up to and including the day of the Meeting. Copies of the said Meeting and of forms of voting instruction to the Depositary may be obtained by holders of IDRs from the offices specified below:

Depository: Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels

Agents: Morgan Guaranty Trust Company of New York
- 60, Victoria Embankment, London EC4 OJP
- 38, Stockerstrasse, Zurich 8023
- 46, Mainzer Landstrasse, D-6000 Frankfurt-am-Main

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World Development Report urges greater emphasis on cost-effective public health services

Healthcare should go 'back to basics'

By Michael Prowse in Washington

DEVELOPING countries could reduce the burden of disease by up to a third if they spent less on high-tech medicine and more on basic public health and clinical services for the rural poor, the World Bank says in its latest World Development Report.

The report, published today, says the high incidence of disease and disability is caused as much by the poor allocation of existing resources as by lack of funds. In some countries, a single teaching hospital catering mainly for the affluent can absorb 20 per cent or more of the national healthcare budget.

The report urges poor and middle income countries to invest in a minimum healthcare package consisting of routine public health measures and a few essential clinical services.

Such services, the report adds, could be provided cheaply by local clinics and district hospitals and would not need expensive equipment or highly-trained specialist physicians.

On public health, the report suggests the most cost-effective measures would include an expansion of immunisation ser-

vices for children, school-based health services, campaigns to reduce excessive levels of smoking and alcohol consumption, the provision of more information about nutrition and family planning, and efforts to prevent the spread of Aids.

Financial flows to developing countries rose 23 per cent in 1992 to a record \$176bn due to an explosion in bank lending, the Organisation for Economic Co-operation and Development said yesterday. Reuter reports from Paris.

With direct investment also rising, private money flows reached \$99.5bn and exceeded official aid for the first time since 1983, the OECD's

cate such a modest investment could reduce the overall burden of disease by more than 30 per cent.

In middle income countries, the minimum package would cost about \$22 per person or roughly 1 per cent of per capita incomes. The introduction of

services, such as heart surgery.

In the poorest countries public spending on healthcare is typically only about \$8 per person a year. The World Bank's suggested minimum package

would thus require a substantial increase in spending by governments, donors and indi-

vidual patients, as well as a redirection of the healthcare budget from specialised services and facilities for the affluent.

Such measures would work best if accompanied by broader efforts to reduce household poverty and improve educational standards, the report says.

Studies show that people with more schooling seek and utilise health information more effectively than those with little schooling.

"Education of girls and women is particularly beneficial to household health because it is largely women who buy and prepare food,

maintain a clean home, care for children and the elderly, and initiate contacts with the health system," the report notes.

The bank also emphasises the importance of promoting diversity and competition in the supply of health services. In the short-term, the report says that reforms in drug procurement offer the greatest efficiency gains.

Governments that have introduced competition in drug procurement and switched from brand name to generic drugs have achieved savings of up to 30 times as high as in industrialised countries.

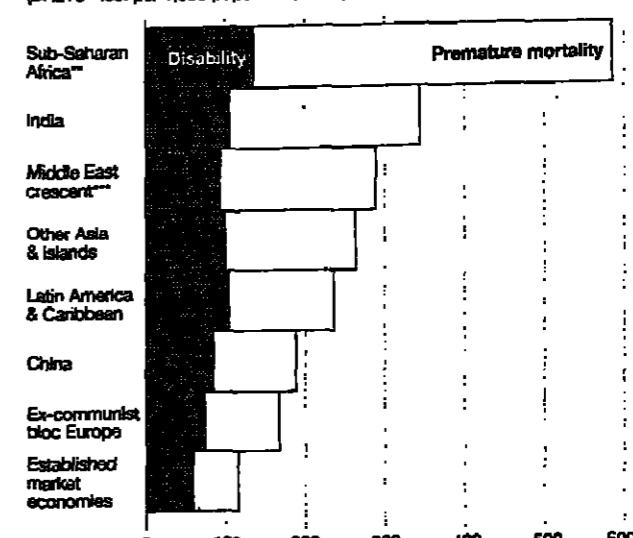
In the past 6 years, the bank has quadrupled its lending to a year its lending for healthcare services in poor countries. If diseases such as Aids and tuberculosis are to be controlled other donors and development institutions need to put greater emphasis on supporting cost-effective health services, it says.

The report recommends that the share of official assistance going to healthcare be raised from 6 per cent to 9 per year, or by about \$2bn.

• *Investing in health. The 1993 World Development Report is available from The World Bank, 1818 H Street, N.W. Washington D.C. 20433. Editorial comment, Page 13*

The burden of disease

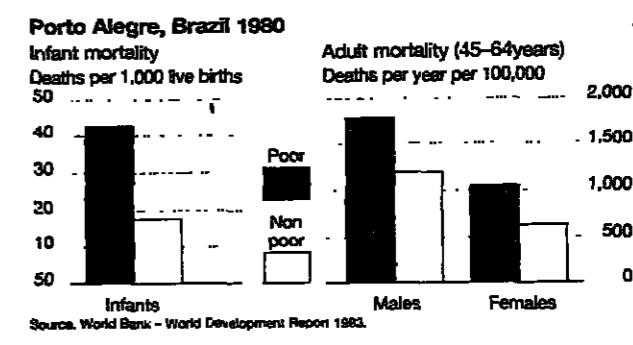
Attributable to premature mortality and disability by region (DALYs lost per 1,000 population, 1990)



* The disability-adjusted life year (DALY) is the present value of the future years of disability-free life that are lost as the result of premature deaths or cases of disability occurring in a particular year.

** Includes South Africa & Madagascar.

† The gross domestic product ranking across North Africa through the Middle East to the Asian republics of the former Soviet Union and including Israel, Malta, Pakistan & Turkey.



Source: World Bank - World Development Report 1993.

South African violence escalates

'We found the dogs and are burning them'

By Rich Mkhondo of Reuters in Kathlehong

THE SMELL of roasting human flesh hung in the air. A crowd of 20 with spears, axes and stones gathered round three burning bodies lying behind refuse bins.

"Sizitholile Izinja. Siyazishisa," they chanted. "We

Shots and screams indicated killings nearby but there was no sign of police

found the dogs and we are burning them. Viva, ANC Viva."

The victims - two men and a woman - were supporters of Mangosuthu Buthelezi's Zulu-based Inkatha Freedom party.

Shots and screams indicated more killings nearby. There was no sign of police.

I have lived in the township of Kathlehong for all my 36 years, but I have never seen such savagery as I witnessed on Monday night and yesterday morning as I went to rescue my sister, who was trapped in her home deep in the battle zone.

It is impossible to keep track of casualties in Kathlehong and nearby Thokoza. Police say as many as 100 have died in three days. Residents speak of hundreds.

To get through the carnage I sometimes had to plead with armed youths, many no more than 16, who wanted everything - my car, money and

petrol to make bombs.

"Tell the world there is also a Sarajevo here," said one when I said I was a journalist.

"It is a shame that we are made to go through this," my sister said when I reached her.

"This country boasts some of Africa's most enlightened leaders, but where are they when people die like flies?"

Violence exploded in the townships near Johannesburg following last Friday's announcement of a date for an election which is meant to liberate blacks from 350 years of white domination.

The immediate cause appears to have been the ambush of a funeral procession when it passed a hostel populated by Inkatha supporters on Saturday. But the political tensions building ahead of next April's elections are such that it needs only a spark to ignite a conflagration.

Black leaders such as the

"Tell the world that there is also a Sarajevo here"

ANC's Nelson Mandela blame apartheid for much of the violence that has claimed 9,000 lives since the white minority government began dismantling racial segregation in 1990.

Residents say the police have done nothing to halt the killings. They abandon the townships as darkness falls, and only return at dawn to collect the bodies.

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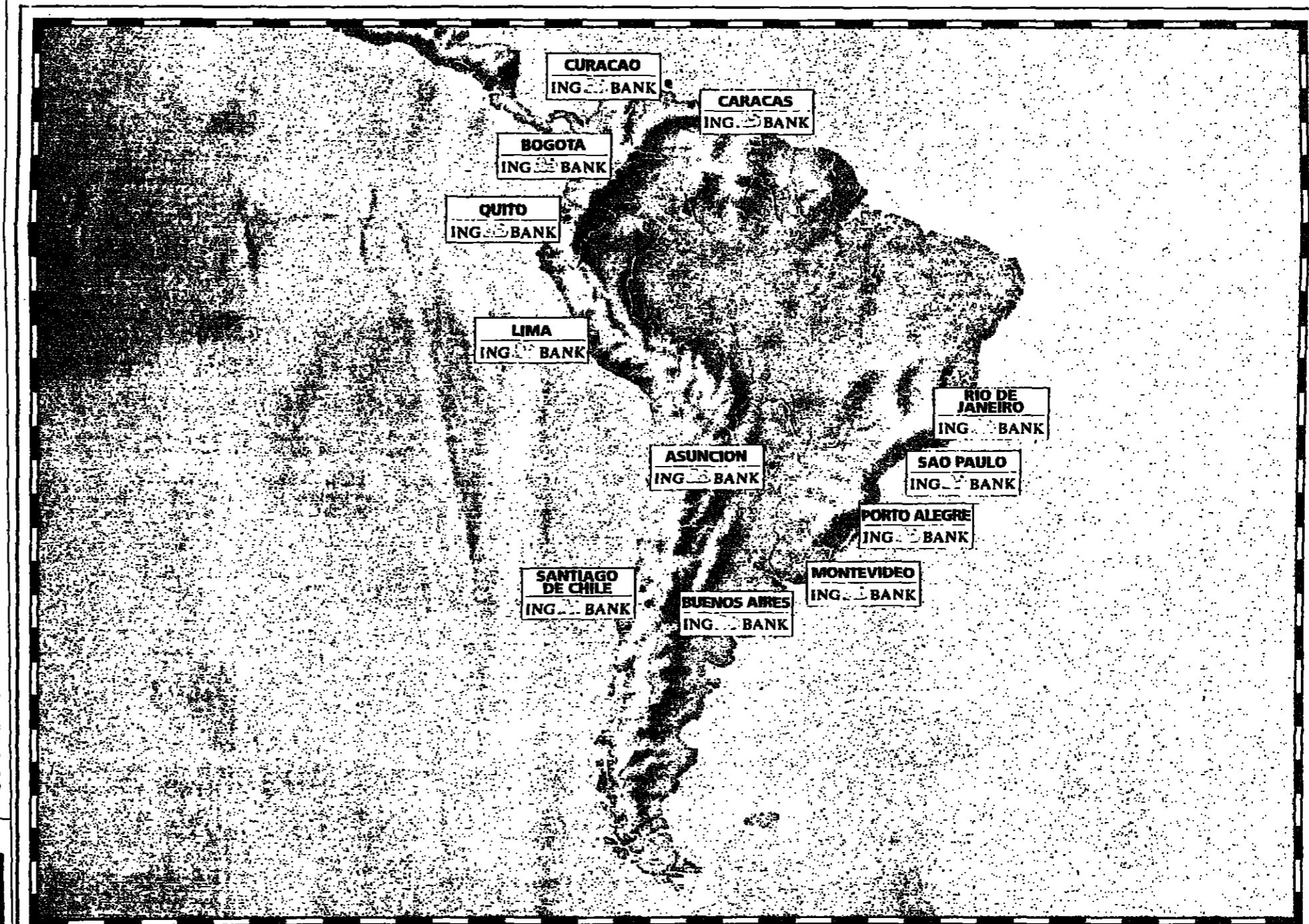
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Controversial proposal to abolish right to trial by jury condemned by legal profession and civil rights groups

Commission puts 'justice first, efficiency second'

By Robert Rice,
Legal Correspondent

THE ROYAL Commission on Criminal Justice put "justice first and efficiency second" before publishing its 362 detailed recommendations, according to its chairman Lord Runciman.

In attempting to find the right balance between prosecution and defence the commission has made a number of inroads into long established and fundamental rights of defendants - such as the right to elect trial by jury and the so-called right to silence.

The Royal Commission was set up in March 1991 to recommend changes in the criminal justice system to prevent miscarriages of justice.

Launching the commission's report yesterday, Lord Runciman made no bones of the fact that it had taken a much broader view of its remit: its recommendations were aimed as much at reducing the risk of the guilty being acquitted as trying to prevent the conviction of the innocent, he said.

Its most controversial recommendation is that the defendant's right to elect trial by jury in cases which can either be tried by magistrates or at

Calls by the Serious Fraud Office for US-style plea-bargaining to help reduce the number of controversial "City mega-trials" have been rejected by the Royal Commission.

The commission recommended a system of "sentence discounts" for defendants in all criminal proceedings willing to plead guilty before a trial starts.

The commission, however, stopped far short of agreeing with the SFO that prosecutors should have an active role in offering lower sentences to suspects in exchange for increased co-operation.

In his evidence, Mr George Staple, SFO director, had said the introduction of a formal system of plea bargaining was the single most effective way of shortening the process of investigating and prosecuting fraud. That was

rejected by the commission as too extreme a move. Lord Runciman emphasised the commission's view that sentencing issues should be determined by judges alone with prosecutors playing no role in deciding penalties.

The general reaction of lawyers was that the commission had addressed matters of detail rather than proposed radical reform and that its proposals, if implemented, would have only marginal impact on the problem of large fraud trials. That, as one lawyer commented, reflected the fact that fraud trial reform was "bolted on" to the commission's agenda after it had already begun addressing its central concern over miscarriages of justice.

The recommendations made by the commission for the investigation

and prosecution of fraud include:

- Greater disclosure by defence lawyers of their clients' case to the prosecution before the trial starts. Currently defence lawyers can say merely that they oppose the prosecution's case.
- Trial by jury should remain.
- The "Section 2" powers of the SFO, which remove the right to silence and compel witnesses to answer questions, should be extended to allow police officers, as well as SFO lawyers and accountants to carry out such interviews. Section 2 should also be extended and made available for use by the SFO when carrying out inquiries on behalf of investigators from other countries. Evidence gathered in Section 2 interviews should remain inadmissible on court, unless it contradicts evidence given in court by a defendant.
- Time limits on fraud trials could be introduced.

- Judges should be able to outline the basic issues in a case to the jury at the start of a trial.
- Fraud defendants should be able to plead guilty to a serious regulatory offence subject to the disciplinary sanctions of the Securities and Investments Board, rather than face criminal charges.

commission found that in nine out of 10 cases in which confessions were central there was corroborative evidence. In the remainder, the police could have produced it if necessary, but had chosen not to save time and money.

The commission has chosen to recommend that judges should warn juries of the dangers of convicting on the basis of confession evidence alone.

But in doing so, many lawyers argue, it has missed the opportunity to bring about a fundamental shift in police attitudes to investigating crime which at present are directed strongly towards obtaining confessions rather than investigation of the facts.

Measures aimed directly at preventing and correcting alleged miscarriages of justice have been warmly welcomed.

The establishment of an independent review authority to take over from the Home Office responsibility for investigating and referring suspect cases back to the Appeal Court is long overdue although concerns remain that the investigation of alleged miscarriages of justice will still be carried out by police.

Editorial Comment, Page 13

Britain in brief



Settlement urged in EC rights case

The government could face

retrospective claims from tens

of thousands of public service

workers who experienced a

deterioration in pay and condi-

tions when their jobs were

contracted out to the private

sector.

Mr Jack Dromey, a national

secretary of the TGWU general

union, told the union's confer-

ence yesterday that hundreds

of test cases were being pre-

pared and would go to court if

the government rejected a gen-

eral up.

The issue has arisen because

of the European Community's

Tupe legislation which pro-

tects the pay and conditions of

workers in many cases of job

transfer. Although Tupe has

been part of British law since

1981 the government has only

recently acknowledged it can

apply to contracting out.

Mr Dromey said up to 25,000

workers in local and central

government and the health

service had their pay reduced

before it was realised that

they were protected by Tupe.

Compensation could amount

to tens of millions of pounds

and Mr Dromey said the gov-

ernment faced the prospect of

spending more than that in

legal fees if it did not agree a

settlement. "The government

has a choice over Tupe - an

expensive decade of chaos or a

settlement," he said.

Receiverships down by 30%

The number of receiverships in England, Wales and Scotland fell by more than 30 per cent to 663 in the second quarter of the year making the third consecutive quarterly decline, according to figures published yesterday by accountants KPMG Peat Marwick.

Jobs for Ulster

Desmond and Sons, the Ulster-owned clothing company, announced plans to create 600 jobs in Northern Ireland.

The £24m plan is being

backed by the Industrial Devel-

opment Board and will

create 400 jobs and a new fac-

tory at Magherafelt in south

Londonderry. It is a timely

investment since the town was

devastated by an IRA bomb

earlier this year and it suf-

fered the loss of two big fac-

tories last year. The investment

programme will also add 200

jobs and improve the effi-

cency of Desmond's existing

plants. The company currently employs

2,700 people in 11 factories

Hospital buildings row

Fresh controversy about the closure of some of London's hospitals has erupted after a firm of property advisers

described them as "the London

development sites of the 90s".

Save, a conservation group,

described comments by Knight

Frank & Rutley, chartered sur-

vitors, about development

opportunities presented by hos-

pital closures as "outrageous".

It particularly criticised a

description of the site occupied

by St Thomas's opposite the

Houses of Parliament as "a

prestigious residential devel-

opment site with its unique pic-

ture postcard view".

House price fall

UK house prices fell by 1.1 per

cent in June, the second

monthly fall in succession

according to figures published

yesterday by Halifax, Britain's

biggest building society.

Clearance for

anti-ulcer drug

SmithKline Beecham, the

Anglo-American healthcare

group, has been given provi-

ctional clearance to sell its best-

selling prescription medicine,

Tagamet, without a prescrip-

tion in UK chemists.

SB expects to be able to mar-

ket the drug by the end of the

year. Tagamet is an anti-ulcer

treatment which had world-

wide sales last year of more

than \$1bn.

"This is tremendous news for

SB especially given that Taga-

met's patents expire in the US

next year," said Mr Paul Krik-

ler, analyst at Goldman Sachs.

"It should add weight to the

company's US application to

switch Tagamet's status from

prescription only to over the

counter."

Tories face damaging split after defeat on rail sell-off

By Alison Smith
and David Owen

A DAMAGING split looked likely to emerge in the ruling Conservative party yesterday as government ministers launched a campaign to overturn the humiliating defeat on a central element of the plans to privatisate British Rail.

The embarrassing setback on

Monday, when the House of

Lords - Britain's upper chamber - voted to allow BR to bid to run rail service franchises after privatisation, dogged Mr John Major as far as Tokyo where he is attending the G7 economic summit.

Pressed on how he planned to deal with the successful move by opposition and rebel Tories, the prime minister said that Mr Major had not been invited to No 10 since he replaced Lady Thatcher in November 1990.

The decision, in the Commons, Labour exploited the government's discomfiture, as deputy leader Mrs Margaret Beckett urged ministers: "Why doesn't the government show some common sense for once and just admit they have got it wrong?"

Tory MPs who threatened revolt to win concessions from the government on issues such as rail cards,

have taken heart from the Lords' decision.

The bill does not return to the Commons until the autumn, and at present ministers prefer to demonstrate their confidence by not rushing into negotiations with the earlier rail rebels such as Sir Keith Speed and Sir John Stanley.

A further sign of confidence was the department of trans-

port's coolness on one possible area of compromise mentioned by Lord Caithness, government spokesman in the Lords, during the Lords' debate.

He said it would be permissible for BR to be a junior partner in a private consortium bidding for passenger franchises. Officials said yesterday that though allowable, it was not the government's intention that BR should be involved in

Stena line orders fast ferries for Irish routes

By Richard Tomkins,
Transport Correspondent

STENA Sealink Line, the Swedish-owned UK ferry operator, is to put the world's longest high-speed ferry into service on its Irish Sea route between Holyhead and Dun Laoghaire in spring 1995.

Stena, its parent company, has ordered two of the vessels from the Finnyards in Rauma, Finland, at a cost of about £130m. The second vessel, to be delivered a year later, will be made available for charter.

The ferries, called HSS (high-speed sea service), will be able to carry 1,500 passengers and 375 cars or 100 cars and 50 lorries.

The largest design at present in service, the £74m SeaCat operated by HoverSpeed on cross-Channel routes, takes 400 passengers and 90 cars.

Stena said the new ferries would travel at 40 knots and would be less sensitive to rough weather than smaller vessels.

P&O European Ferries, Stena Sealink's biggest rival on UK routes, said it continued to watch developments in high-speed ferries but was not yet convinced of their mechanical reliability or commercial viability.

Ministers argue such a move would run counter to the logic of the measure which envisages teams of former BR employees effectively privatising BR routes by bidding for individual franchises.

They also point out BR will be involved in every bid anyway, since each route will remain in BR hands if the private bidders fail to offer a better deal.

MANAGEMENT

Jacques Maironrouge, president of IBM's operations outside the US in the 1970s, once provoked enthusiastic applause during a conference by misreading the phrase "IBM teams" as "IBM troops".

His slip accurately conveyed the flavour of the traditional IBM marketing machine; a well-drilled army of blue-suited, white-shirted technocrats rigidly controlled from the centre with power in the hands of a tiny elite.

Then IBM was the largest and most successful computer manufacturer in the world; today, hampered by an overweight bureaucracy which has dragged the company into two years of losses as new technology forces down hardware prices, "Big Blue" is seeking new ways to restore vigour and agility. Its command structure is being dismantled, its foot soldiers "empowered" to decide which wars to fight and which weapons to use.

The battleground for some of the most important of these changes is IBM UK. There are two main reasons. First, recession struck the UK earlier than other European countries and the UK company has been particularly hard hit over the past two years: in 1992 it lost £616m on sales of £3.75m. Second, competition in the UK computer market is the world's fiercest. If a solution works in the UK, the argument goes, there is a good chance it can be exported elsewhere.

The latest move, announced last week, is the division of the UK home sales operation in a federation of some 30 separate businesses, each with the power to fix its prices and settle its costs. It is a microcosm of the grander plan, devised by IBM's former chief executive John Akers, to split IBM globally into a loose network of separate business units.

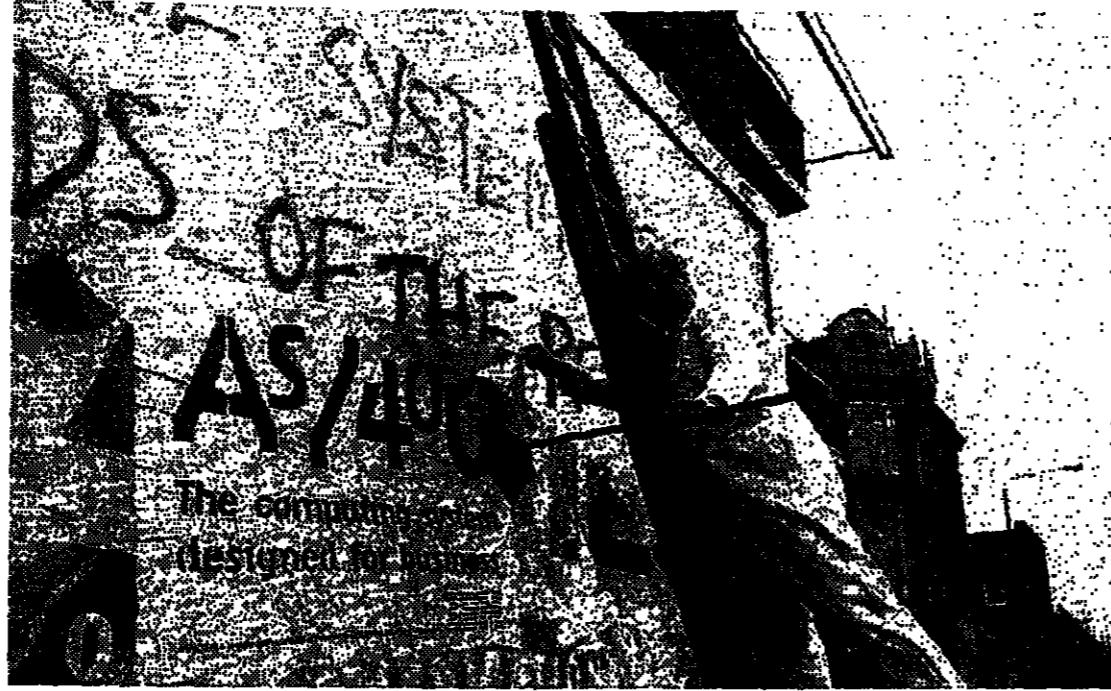
There will be three kinds of businesses in the UK: vertical industries such as banking or retailing; product sectors including enterprise (mainframe) systems or personal systems; and the computing services businesses, management consultancy and hardware maintenance. Some will employ only 50 people, others 500 or more.

What practical difference will the new structure make? In the past, business managers were responsible for their revenues and their share of corporate costs. If a customer was unhappy with a product or service, the manager had to go elsewhere in the company to find a solution. There were endless arguments as salesmen fought their customers' corner against the bureaucracy.

In the new regime, business managers alone will be responsible for their profits, costs and their

In what could be a model for the group, IBM UK is pioneering a new regime, writes Alan Cane

The shake-up of Big Blue's army



Stretched to the limit: Nick Temple, IBM UK chief executive and author of the Temple Plan, the company's blueprint for recovery

customers' satisfaction. They will be measured by five criteria: customer satisfaction, employee morale (both measured by opinion surveys), profits, market share and cash generation.

The vertical industry businesses can buy hardware and software from the IBM product businesses or from elsewhere if they believe a competitor's equipment can do the job better.

There will be no monthly reviews. The centre will operate little, if any, control unless a business starts to go off the rails. According to IBM:

"The creation of a business federation will give more ownership and accountability to business managers, enabling the company to return to profit more quickly."

It will allow a variety of market approaches each with its own cost structure. A mainframe sale to the banking sector could be made, for example, by the banking business unit, by the enterprise systems business unit or by a specialised sales team within enterprise

systems.

The move, codenamed Galaxy, is the latest phase of the so-called Temple Plan, a blueprint for recovery announced in the middle of 1991 by Nick Temple, chief executive of IBM UK.

The first phases of the plan have

face with customers, compared with only 45 per cent two years ago.

Galaxy, however, which will put astonishing power and authority in the hands of managers more used to taking orders than giving them, will give the Temple Plan its stiffer test.

It will give business managers control over, first, prices. Javid Aziz, IBM UK marketing manager, explains: "When 10 years ago you sold a mainframe computer to a banker, an insurer or a retailer, it took the same amount of resource to make the sale, to install the machine and get it working. You could list your prices.

"Now the environment has changed. The hardware is secondary to the requirement that the overall system does the job properly and the people on the ground understand best how to pull together and price the necessary hardware, software and services. If you try to price deals like that centrally, you will have a disaster

centrally, you will have a disaster because the people there do not

Business managers alone will be responsible for profits, costs and customer satisfaction

been implemented over the past two years. The structure of the company has been changed radically. Eight layers of management have been stripped down to four. A series of early retirement and voluntary redundancy programmes will have reduced staff numbers from 18,600 in 1985 to just over 11,000 by the end of the summer. Some 30 per cent of the workforce now come face to

face with customers, compared with only 45 per cent two years ago.

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A Catholic view of business ethics

By Hugo Dixon

The aristocracy of the pre-capitalist era had well-defined ideals, which provided the basis for codes of ethics that guided their behaviour. But modern businesspeople still lack ideals, a good 200 years after the birth of capitalism.

That is the view of Michael Novak, the US neo-conservative Catholic philosopher. In last month's Hayek memorial lecture, hosted by the Institute of Economic Affairs, the London free-market think tank, he set out to remedy this deficiency.

According to Novak, much of what goes by the name of business ethics is abstract and uninspiring because it does not address the ideals and principles that relate specifically to business as a form of human activity. What he calls "kitchen-table" moral standards, such as honesty, fairness and sensitivity - which apply to other walks of human life as much as to business - command most of the attention.

Plans like Galaxy are fine in theory but the significant change, as Aziz accepts, will have to be in Big Blue's corporate mind. It remains to be seen if the leopard can change its spots.

The plan, needless to say, has the approval of IBM's new chairman and chief executive, Louis Gerstner. Temple and Aziz presented the details to him during his visit to the UK in April. He will undoubtedly be watching the UK experiment with keen interest. He is still enjoying his "honeymoon" as chief executive, but analysts are already beginning to ask when he will be ready to present his recovery plan for the company as a whole.

Aziz claims that the UK company has already gained several points market share in mainframes and that business expenses fell 50 per cent between 1991 and 1993 - roughly in line with a decline in staff from 10,500 to 6,500 over the same period.

This year he hopes to keep revenues in line with last year, despite the declining cost of hardware. He also hopes to return to profit: "You have to get the management systems right, the business measurements right and there has to be trust and teamwork. These are the pillars on which you build changes like these," he says.

natural resources such as Brazil remain poor, while others with almost no natural resources - such as Japan - become among the richest in the world.

Novak's second ideal for business - community - seems on the surface rather odd, given the widespread perception that capitalism rests on individualism. But Novak rejects this: "Capitalism is not about individualism, it is about a creative form of community."

The form of community particular to capitalism is the private business corporation, which Novak argues is capitalism's main institutional contribution to the human race. It is a community, one of whose main social purposes is to "make a profit, that is, to create new wealth beyond the wealth that existed before it came into being".

Novak dubs his approach to business "the Catholic ethic and the spirit of capitalism", making a deliberate contrasting with the approach taken by Max Weber in his book, *The Protestant Ethic and the Spirit of Capitalism*. Where Weber saw the roots of capitalism in the Protestants' self-denial, asceticism and sense of the depravity of natural man, Novak stresses "invention, serendipity, surprise and the sort of romance that leads many to risk their shirts". These, he says, are characteristic of the Catholic approach to creation.

Novak's ideal of creative community addresses essential aspects of human psychology which are left out by the crude picture of economic man as concerned about nothing more than how to maximise profits.

The argument's main weakness is that it slides over the real difficulties in marrying creativity and community, which often pull in opposite directions. Many creative individuals give little attention to their communities, while many communities - such as the large institutional bureaucracies of the modern world - stifle creativity.

Novak says that a free society must "examine all its institutions to see whether they are promoting or repressing human creativity". Perhaps one should not expect more practical answers from a philosopher. Finding them is the challenge of today's business people.

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BUSINESS AND THE ENVIRONMENT

Confusion over the environmental acceptability of timber and wood products could soon be resolved as producers and consumers near an agreement on the need for a system to label wood from countries which take their ecological responsibilities seriously.

The evidence of the last two months promises a remarkable advance on the weak code of practice for the conservation, management and use of forests, produced at last year's Earth Summit in Rio de Janeiro.

The International Tropical Timber Organisation - which has representatives from producer and consumer nations, as well as the timber trade - agreed at its annual meeting in Malaysia in May to research the possibilities of using labels to control the trade.

"I amazed that this is happening," says Francis Sullivan, forest conservation officer of the World Wide Fund for Nature (WWF) in the UK. "People have gone from arguing about whether labelling should happen to how it should be organised."

The complex politics of the timber trade thwarted United Nations attempts at the Rio summit to create a treaty on how forests should be managed.

Timber importers are caught in the middle of a passionate debate between the consumer nations, especially the US and EC states, and the producer nations, mainly in the tropics.

The developed nations want developing countries, such as Malaysia and Brazil, to stop wholesale logging. They argue that the world needs the forests to help in climate control, provide habitats for indigenous people and maintain plant and animal diversity.

Groups such as Friends of the Earth are threatening producer countries with trade boycotts unless they conform to management principles which will lead to the preservation of natural forests. The Netherlands is the first EC state to embody these sentiments in national policy.

Developing nations, however, are angry at what they see as an intrusion into their sovereignty and right to exploit natural resources. Malaysia, using exports of its vast timber resources to build its economy, is the most eloquent and uncompromising voice in defence of producer nations.

It asks why it should not be able to exploit its forests when

Debate grows over timber

Peter Knight on the campaign for 'green labels' on wood products



western countries have all but destroyed their natural timber resources and are doing little to curb industrial pollution.

The arguments are blurred by complexities such as the rights of indigenous forest peoples and accusations of human rights transgressions in Malaysia, Indonesia and Brazil.

But the reality for timber importers is that their market in the west is under increasing pressure to get its products from sustainable sources.

Conservation groups have called for a boycott of timber from unsustainable sources, mainly in the tropics. Governments, notably in Germany and the Netherlands, have begun to specify alternatives to tropical hardwoods in building contracts.

B&Q, the UK's biggest DIY retailer, says that by 1995 it will only sell timber and wood from sustainable sources. Some countries and organisations are in the process of developing labelling systems so consumers

can identify ecologically sound timber.

The US-based Rainforest Alliance has developed the Smart Wood programme which grants a label to those producers that it has checked. Projekt Tropenwald is a voluntary initiative to provide information and certification of tropical timber sold in Germany.

The Forest Stewardship Council, a predominantly WWF initiative backed by some businesses such as B&Q, wants to become an international council which will accredit companies that issue certificates to the timber trade.

The African Timber Organisation, representing African producers, plans to start a labelling scheme to certify the origins of its products.

While there appears to be plenty of agreement on the need for a single, universally recognised label, there is much disagreement about how to set up and police such a scheme.

A big hurdle is for all sides to agree on a definition of sustainable forest management, including such issues as selective logging, maintenance of habitat, replanting and sharply reducing road building.

Sceptics say it is impossible to manage natural forests in this way and all logging should stop. This is clearly not an option for many developing countries with few natural resources.

But even if an acceptable definition of sustainable management can be agreed, verifying the source of timber and policing the verifiers pose immense problems.

Verifiers will have to trace timber as it travels across continents. Developing nations do not like the idea of a western-based timber surveillance force operating on their soil.

Nevertheless, many optimists think a workable labelling system can be set up, not least of all the existing international verifiers, such as Société Générale de Surveillance. How fast it can be developed, however, depends on how well producer and consumer nations co-operate. "Ironically, setting up a labelling scheme is not the difficult part," says Jean-Pierre Krikens, a lecturer in development economics at the University of Brussels and a consultant timber policy.

The real problem is to bring tropical forests under proper management, which is a pre-requisite to making sustainably produced timber available in big enough quantities."

"Under Russian land use legisla-

tion, the real provider of natural resources is the district soviet," says Lebedev. In this case, that meant the soviet of Pozharsky, a subdistrict of Primorsky.

The point was underlined by Greenpeace, which last October blockaded the Svetlaya harbour, temporarily bringing exports to a halt. The confusion surrounding the Svetlaya case has done little for the region's image abroad. "Korean and Japanese businessmen often call me to ask about the latest situation," says Stegny.

Svetlaya challenged Pozharsky soviet in court last June. The regional court decided in Svetlaya's favour, but Pozharsky's appeal to the Supreme Court of Russia showed the weakness of Russia's legal system. The appeal judges failed to draw any firm conclusion, merely ruling that there were "deficiencies" in the ear-

Hugh Fraser on battles between remote Russia and international investors

Think local, act global



Russian tigers and other endangered species live in the region of Primorsky Krai

During the Soviet years, Russia's vast and beautiful environment scarcely rated a mention on the political agenda. But today's investors in Russia ignore "green politicians" at their peril.

Some of the Russian environmental movement's most telling successes are at the level of regional government, in local soviets or parliaments. Primorsky Krai, a region facing the Sea of Japan, contains dense forests, rivers teeming with salmon and endangered species including tigers and bears.

In common with many regional bodies, the soviet of Primorsky Krai has a powerful environmental committee, which regularly fines local polluters. At the height of communist power, local politicians toed the party line, often dictated from as far away as Moscow. These days they are more independently minded: "Essentially, I am against the industrial, technical mentality which prevails everywhere," says Anatoly Lebedev, deputy chairman of the environmental committee.

Lebedev's constituency is Krasny Yar, a town little larger than a village. Most of his constituents hunt and fish for a living in the surrounding forests of the Pozharsky District.

Despite the remoteness of the region and his small constituency, Lebedev has found himself at the centre of an environmental battle of international dimensions. The moral of the tale is that investors should pay attention to Russian politics on a very local level indeed.

In 1990, the Hyundai Group of South Korea formed a joint venture - Svetlaya - with two local logging companies. Svetlaya spent \$70m (£46.5m) building a sea port, roads and a technical base around the coastal town of Svetlaya, outside Lebedev's constituency.

But two-thirds of the 1m cu m of

timber, which Svetlaya planned to cut annually, were located across the political boundary in Pozharsky District. Lebedev's political power

was used to block the joint venture.

Local people feared that logging on the hills around the source of the Bilkin River would damage the salmon-breeding waters which provide their livelihood.

Lebedev's objections go further: "This is one of the last pristine forests left in the world. Their plan to 'clear-cut' [whole sections of] the forest on steep slopes will create a desert."

Nor is Lebedev impressed by the joint venture's plans to replant 3m trees a year. "They have some beau-

tiful greenhouses, but there is no point in planting young trees in a desert. They will die."

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lier judgement. The legal position is still up in the air.

"I believe that local people need us as much as we need them. They will come round in a couple of years' time," says Stegny. But he tacitly admits the environmentalists had a point.

Svetlaya now selectively cuts trees. Its \$70m investment assumed the joint venture would be in profit by its fourth year. But reduced logging means that break-even point is seven to 10 years away.

Elsewhere in Russia, environmental demands are important criteria when it comes to issuing rights to develop natural resources. In general, this is good news for foreign investors. Russian competitors often have a poor environmental record.

One of the largest deals under negotiation is a project to develop gas fields on the continental shelf off the island of Sakhalin. A consortium known as MMMS, including Marathon and McDermott from the US, Japan's Mitsui and Mitsubishi, and the Anglo-Dutch Shell, hopes to conclude the \$10bn deal soon.

"This is one of the most difficult projects in Russia, from an environmental point of view," says Galina Pavlova, a local Peoples Deputy and member of the Sakhalin Soviet Ecology Committee.

"Environmental concerns have added considerably to the cost. But as an ecologist, I am happy with the proposals, provided they do everything we want."

On the volcanic peninsula of Kamchatka, one of the poorest and least developed regions of Russia, the local administration plans an international tender for extraction of 90 tons of gold from the south of the peninsula. As soon as the plan was announced, the governor of Kamchatka, Vladimir Biryukov, went on television to say that the project would go to the most environmentally clean proposal.

In Primorsky Krai, the environmentalists are girding their loins for the next battle. The Ministry of Atomic Energy is funding a feasibility study into building underground nuclear power stations in the far east of Russia.

In the late 1980s, Lebedev fended off a similar plan to build a nuclear reactor near Krasny Yar. He does not think it will be an easy fight this time round.

"The nuclear mafia in this country still have a great deal of resources and influence," he says.

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Woods for Bridport-Gundry

Bridport-Gundry, the medical, aviation and defence products group that has just part-owned company with its group managing director, 50-year-old Brian Cowley, has recruited Geoffrey Woods as its new chief executive.

Chairman Pat Darley says that Cowley, who had been in the post for just over four years, went "as a result of lack of confidence. Clearly things were not working out", but he was not prepared to elaborate.

The company that once specialised in fishermen's netting has moved into the fibre technology business, making a

range of products from restraint systems for Deutsche Airbus and the space shuttle to medical sutures.

Woods, 45, who joins next week, had been managing director of Toray Textiles Europe, a subsidiary of the Japanese company. He had previously distinguished himself by being one of the youngest managing directors within Courtaulds, the company he joined as a graduate trainee in 1968. Darley, who predicts that his arrival at Bridport will not herald a change of strategy, says he was chosen for his strong marketing skills.

Adding bacca to booze Sir Alastair Rankin, chairman of Scottish and Newcastle, is also putting BAT Industries into his non-executive pouch.

Russell to chair 3I

Sir George Russell, chairman and chief executive of Marley, the building materials group, is set to emerge as the new chairman of 3I, Britain's largest venture capital company, at the end of this month.

A formal decision on his appointment has still to be taken but the firm indications are that Sir George, currently a non-executive director, will take over the chair vacated so hurriedly in April by Alan Wheatley. A formal announcement is expected at 3I's annual meeting on July 28.

Wheatley, a former senior partner with accountants Price Waterhouse, stepped down when 3I's shareholders, the banks, decided to postpone indefinitely a decision on a public listing for the company.

Sir George, who is 57, is no stranger to controversy. He is chairman of the Independent Television Commission, which is opposing plans by the independent television companies to reschedule News at Ten to an earlier evening slot.

A commonsense George who once considered joining Sunderland United, he joined ICI as a graduate trainee at the start of a long career in the chemicals and aluminium industries. His television connection started in the late 1980s when he became deputy chairman of Channel Four.

3I has not traditionally been an exciting part of the financial community. Providing equity and loan finance to small and medium sized companies is a cautious long term business dependent on a careful assessment of companies and their managements.

It is only in the past three years that the proposed flotation and a succession of postponements as the recession深ened have made the job of chairman a high profile position. Sir John Cuckney joined 3I with the mission to take it public but retired early in frustration. Alan Wheatley was in place for only nine months before shareholders decided to wait for a strong recovery before floating and he left.

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Television/Christopher Dunkley

It's bad news week - again

A according to T.S. Eliot (an over-rated poet, yes, but you cannot deny the strength of *The Four Quartets*), "Human kind cannot bear very much reality". But Eliot died nearly 30 years ago, before television hit its stride. What on earth would he have written, had he survived long enough to share our nightmarish glut of reality in 1993?

The evidence of man's inhumanity to man is bad enough; whereas past generations learned at second or third hand, and months or even years after the event, about some hideous piece of cruelty on the other side of the world, we hear and see and share vividly in such experiences within hours of their occurrence. These days, television even ensures quite often that we are present as the ghastliness takes place, whether in Bosnia, Israel, or the City of London as the madmen of the IRA go about their mayhem.

However, just as destructive of the viewer's spirit is the way that television pushes our noses up against equally vivid pictures showing the cruelty not of man but of fate. Previous generations knew, of course, that life is often nasty, brutish and short. They too lived with the mentally ill "in the community", and consequently saw their suffering and, no doubt, occasionally suffered from their violence. Naturally they watched their own parents die and, more often than we have to, their own children, too. But at least they could believe, when faced with such personal tragedies, that this was an anomaly, that there was something better somewhere else.

Members of the television generation in countries such as Britain have no such cushion against reality. We know how usual are pain and suffering, because they are brought to us, day in, day out, from our own

doorsteps and from doorsteps around the world, in graphic pictures and detailed speech.

To live with the sadness and pain of your own life is one thing, but to try to live with the sadness and pain of the whole world is something else. Half a century into the age of television you begin to wonder whether this is not, perhaps, insupportable. What we are trying to do in living with global television is unlike anything that any previous generation has attempted.

It is not just, or even mainly, a question of television news, though Martyn Lewis had more justice on his side than his derisive colleagues would admit when he called for more "good" news.

Anybody who has ever worked on a national news desk has felt that collegiate tendency towards the macho which no one likes to question and which insists that a murder is a "better" story than, say, a world championship won by a Briton in some supposedly obscure sport, champions in minor sports being ones of the specific examples of a void nominated by Lewis and carefully ignored by his opponents.

Without toppling over into the embarrassing world of the "Good News" bulletin ("Two thousand aircraft didn't crash on take-off from Heathrow this week..."), it is time somebody tried to break out of the self-perpetuating circle of bad news junkies. Using the fashion editor as copy taster for a week.

But however much the public may be on Lewis's side in this, viewers are surely not surprised when news programmes reflect much of the nastiness of the world. What becomes so dispiriting is the unending succession of current affairs programmes and documentaries detailing the hurt and horror of life everywhere. It is bad enough when this



Telling it how it was: the late Juris Podnieks at work on his memoirs' bulletins.

Equally predictable was the melancholy of BBC2's *Black Deaths For The Bride*, a combination of documentary and drama to mark National Alzheimer's Awareness Week. Director Peter Symes and poet Tony Harrison succeeded in capturing most of the appalling characteristics of the disease, though they did not emphasise enough the dreadful effects upon those most closely related to the victim, usually husband or wife.

The account by *The London Programme* of violent schizophrenia being released "into the community" and then committing murder was scarcely surprising; we have heard already about these cases piecemeal. Most frightening was the clear indication (though this was never explicit, it did not need to be) that we now live in a democracy where it is considered more important to save money than to avoid murder.

More depressing than these, however, are the programmes which you think will be positive and heartening but which are not. Knowing Antony Thomas's previous work, it was fair to assume that his *Viewpoint* 93 programme for ITV called "In Satan's Name"

would direct a good blast of fresh air on the subject of Satanic child abuse. Previous programmes with credulous reporting from people such as Beatrix Campbell had helped turn a modern myth which lacked even a scrap of evidence into a phenomenon widely believed by social workers, clergymen and even members of the police force. Sure enough Thomas's report revealed this international hysteria for what it is, but in the process it made your heart sink even further.

Without ever mentioning the phrase "false memory syndrome" Thomas showed that these "memories" of ritual abuse occur after sessions with "psychotherapists" and church leaders. In other words this is the same old witch hunting trick that we have seen down the ages: invent a set of demons, introduce them to the minds of the impressionable, put pressure on the impressionable in public and, hey presto, demons! To see the ease and effectiveness with which this ancient technique is still being used, for the self-aggrandisement of therapist and churchman, is deeply saddening.

But if in the past week you wanted the final push towards suicide you needed to watch a two-hour programme in Channel 4's "True Stories" series called *Time Indefinite*. This began as one of those home movies made by American members of the Me generation who believe that any aspect of their own lives captured on camera must be fascinating to the rest of the world because - well, it's about Me, isn't it? In the second half, however, Me's grandmother died, Me's wife miscarried, and Me's father died, a series of blows from fate which, in the end, seemed unfair even to such an insufferable egoist as Me.

No viewer is forced to ingest such a concentrated diet, it is true. Even television critics are entitled to opt for a comedy or a light entertainment programme from time to time, assuming that in July they can still find one that has not been shown umpteen times before. But unless you do sit down and plan carefully to avoid it, you can find television bringing you more reality than human kind can bear.

A pleasing coincidence gives London revivals of plays by Noel Coward, Terence Rattigan and John Osborne. Anyone who sees all three will, I hope, begin to discard the belief that British theatre changed radically with the opening of Osborne's *Look Back in Anger* at the Royal Court on May 8 1956. For if you look at the play's continuity that stands out.

True, there was a change in the milieu - a move from the drawing room to the ironing board. With Osborne's success, Rattigan went out of fashion and Coward into decline. But there was no revolution.

The conventions remained pretty much the same, the aim being a well-made play with a beginning, a middle and an end, and a capacity to shock through in.

It was Osborne who was the conservative. He followed his masters closely, but dropped such controversial subjects as drugs and homosexuality.

The difference was that he seemed to have moved the frontier by writing about a lower down a class in the social hierarchy and expressing anger at the *status quo*. It was not until *Inadmissible Evidence*, now revived at the Royal National Theatre, that he moved to more complex relationships.

Looking back, it is clear that was a great deal of anger in the British theatre before 1956. As early as 1924 Coward was an angry young man writing about drugs and sex in *The Vortex*. And anyone who has seen the revival of his *Present Laughter* at the Globe will have noticed that it is not entirely a play about upper-class society. The ménage in which Gary Esson lives contains a broad social mix.

Rattigan pushed the frontiers much further. In the recently revived *The Deep Blue Sea*, practically every social class, including immigrants, has a look-in. The play is a marvellous plea for tolerance of social and sexual deviation within a society constricted by the law.

How anyone could have thought that Rattigan was a conventional playwright merely because he used conventional forms must now defy the imagination. Apart from everything else, he used the conventional forms so well.

Separate Tables, which is now revived at the Albery, is a slightly less good play. First performed in 1954, two years after *The Deep Blue Sea*, it was initially a winner but it may have been the beginning of Rattigan's downfall, because it was about old England - a mixture of shabby genteel people slowly fading away in a private hotel near Bournemouth.

The fault lies with the structure. *Separate Tables* tries to roll two sets of events into one with a gap of 18 months in between. The first concerns a disgraced former Labour Party minister (class of 1946) whose ex-wife, a once and perhaps still beautiful model, arrives on the hotel.

They are at least temporarily re-united by the manageress (Charlotte Cornwell), who represents all that is tolerant and decent in a strained environment, and is also the former minister's current mistress.

In the second half, the admirable Ms Cornwell strikes again for the forces of liberalism. She allows another disgraced guest to stay despite the fact that he has been exposed and reported in the local newspaper, for minor indecency in a nearby cinema. The mildly jarring asymmetry is that here, the manageress has had no direct involvement in the emotions. She is more the wise ruler than the partial victim.

Yet if you want a liberal Ms Britannia trying to hold a declining country together in Bournemouth in 1954, look no further. The appropriate patriotic music quietly pervades the play. Ms Cornwell even has a line that seems a refinement of *Mona Lotta* in *ITMA*: "when one gives up hope."

Some of the period details

are wonderfully done. In the

early 1950s, educated Conservative voters read the *New Statesman* (here called *New Outlook*), for which the disgraced politician writes under the pen-name of Cato), claiming that they did so only for the music criticism.

In *Separate Tables*, they have views on taxes and dividends that relate to real life, and (picked up from a television programme) on the respective merits of levelling up and levelling down. The biggest shock, and it is considerable, is when the seemingly progressive wife of the young medical student turns out not to be a liberal.

There is a lovely twist at the end, when a new couple appears at a table, talking only to each other, unaware of what has gone before and the drama that is going on around them. Perhaps here was the beginning of Act 3 or another play. I like to think of it as a defiant Rattigan gesture: a hint of what might have been said next, had he not been so rudely interrupted by a change in fashion.

As it is, there is an ironic shaft at the coming shift in conventions. The former minister is reprimanded for using the French windows which are concealed from view. As for social class, he was originally a docker from Hull.

One more point: there is a direct and telling reference to McCarthyism. No-one should ever have said that Rattigan was out of touch with his time.

The setting - by which one really means the seating - in *Separate Tables* is crucial. In Sir Peter Hall's production, designed by Carl Toms, it is a trifle ponderous, but that may have been the flavour of the period.

As a theatrical device, the separate sometimes communicating tables are a delight. The menu is a mixture of listening, watching, talking and occasionally eating. Peter Bowles and Patricia Hodge double as the main romantic parts in both sections.

Malcolm Rutherford

Albery Theatre. (071) 857 1115

ARTS

Theatre

Separate Tables

Opera

The Man Who Strides the Wind

Before his death in 1969 Bruce Chatwin had conceived the scheme of an opera, a collaboration with the composer Kevin Volans. The project was to draw on ideas from Chatwin's wonderful novel *The Sunblimes*, extending its meditations on the nomadic nature of man, and the focus was to be the life of Arthur Rimbaud, particularly the years he spent wandering around Africa, having abandoned his poetic career. Chatwin became too ill to complete any of the libretto, and the text for *The Man Who Strides the Wind*, which received its first performance at the Almeida last weekend, has been assembled by the writer Roger Clarke from sources that include Rimbaud's own poetry, Chatwin's travel notebooks and the classical texts - Hesiod, the Bible - closest to Chatwin's heart.

Of the rash of operas that have been promised in recent years, this work-in-progress was perhaps the most intriguing and tantalising. Volans'

instrumental and orchestral works have established him as one of the most distinctive voices in contemporary music, and the subject seemed perfectly suited to a composer who had derived so much flavour from his South African background. What has reached the stage, though, is a profound disappointment in musical and dramatic terms.

The reasons for that failure are tangled and hard to establish: the negligible production by Peter Mumford (designs by Neil Irish) is certainly no help, and often clumsy in its effects, while Volans' score is realised tentatively under David Parry's direction. But both producer and conductor can claim some mitigation; there is something intrinsically unoperatic about a work whose first act revolves about a death-bed scene, the second is a sustained duet for tenor and baritone, and only a small fraction of the text is comprehensible.

The weight of the intellectual argument in *The Man Who Strides the Wind* falls in that long (70-minute) second act, as Rimbaud and his servant/companion Djami wander through the Abyssinian desert while the former poet tries to come to terms with his restlessness, his inability to find a home in any landscape. The first act sets up the discourse as the dying Rimbaud, returned home after 12 years' wandering, is tended by his sister and fearsome mother who know nothing of his former life. But the lack of drama and the lapidary text resist easy involvement; the opera always manages to hold its audience at arm's length.

Most disappointing of all was the effect of the music itself.

The vocal score promised a wonderfully subtle, teaming texture, full of the teasing polyrhythms and glistening, slender textures which Volans has made his own. In the claustrophobic Almeida acoustic, though, many of those effects were made to seem miscalculated and the instrumental playing (the combined forces of the Brindisi Quartet and the

Almeida Ensemble, fine players all of them) lacked the precision and delicacy Volans' music always demands. Moments one looked forward to were totally lost - the very opening of the work, for instance, with a boy treble intoning fragments of Rimbaud's verse as a backdrop to the utterance of the dying poet, emerged totally indistinct.

While Volans' score contains

much that might thrive in a different context, this is not a show from which the ENO's Contemporary Opera Studio can take any credit. Only the singers could be satisfied with their contributions: Thomas Randle made a fine, compelling Rimbaud, Meurig Davies a compassionate, boyish Djami; Susan Bisatt was the attentive sister Isabelle, Jennifer Rhys-Davies, the gorgon-like mother. David Newman provided the shimmer of treble in act one.

Andrew Clements

Almeida Theatre; further performances July 9, 12 and 16

London City Ballet

Last Saturday, the London City Ballet previewed its last at the Theatre Royal Bath, victim of Arts Council intransigence over regular funding. *Antony Thorne's* writes.

Early in September, the London City Ballet will embark on its annual autumn tour. That at least was the guarded assurance provided by artistic director Harold King on Monday. He could sound optimistic because he was standing next to the money man from ADT, whose chairman Michael Ashcroft seems set to take over from John Hughes as the financial backer of the LCB.

He has pledged £150,000 a year. The plight of the company precipitated a sudden donation from the widow of Nureyev's agent Sandoor Gorlinsky. Texaco has promised £150,000 in the autumn. The dancers are now on holiday - unpaid - but a slightly smaller company should assemble in August to rehearse *Coppélia*.

with a fine cast headed by Chris Merritt. Ends Aug 11 (0702 0201)

MONTREUX

The Jazz Festival has moved from the foreshore of Lake Geneva and the crumpling confines of the town's Casino to the shiny new Stravinsky Auditorium.

Tonight's concert is given by Chick Corea, Herbie Hancock and George Duke's Instant Band. Fr: Ute Lemper and Paolo Conte, Sat: soul and jazz night with Al Green, Chaka Khan, Ramsey Lewis. Mon: Stanley Clarke takes part in world premiere of new work by George Duke. July 15: Blues Summit with BB King and Etta James.

Fringe sessions at the New O's Club look good, with Ray Brown Trio and Elvin Jones Jazz Machine on Fri, and John Scofield Quartet next Tues. Ends July 17 (021-963 8282). Montreux's classical music festival runs from Aug 20 to Sep 24 (021-963 5450).

NICE

This year's JVC Grande Parade du Jazz (July 13-24) has an exciting programme of big names. Lionel Hampton, Pat Metheny, Joe Henderson, Illinois Jacquet and George Benson feature among crossover types such as Manhattan Transfer, Wynton Marsalis and Manu Dibango (0371 8980).

MONTPELLIER

Radio France's annual festival, opening next Tues, continues to promote off-the-beaten-track operas in concert format.

This year's line-up includes Morlacchi's Barber of Seville, Wagner's Rienzi, Zemlinsky's Birthday of the Infant, Puccini's La Vill and - best of all - Reyer's grand, unjustly neglected Sigurd.

ORANGE

This year's operas are La travista (July 17 and 20) with Kathleen Cassello, Roberto Alagna and Paolo Coni, and Otello (Aug 7) with

Patricia Hodge and Peter Bowles strike a pose

ARTS GUIDE

Monday: Performing arts Guide city by city.

Tuesday: Performing arts Guide city by city.

Wednesday: Festivals Guide.

Thursday: Festivals Guide.

Friday: Exhibitions Guide.

European Cable and Satellite Business TV

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Super Channel: European Business Today 0730; 2230

Monday: Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

Wednesday: Super Channel: Financial Times Reports 2130

Thursday: Sky News: Financial Times Reports 2030; 0130

Friday: Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0630

Saturday: Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

Sunday: Super Channel: West of Moscow 1830

Edward Mortimer



Personally I have always felt attracted to the Balkans - influenced, perhaps, by memories of the exotic Balkan Sobranie cigarettes my mother used to smoke. But "Balkanisation" has long been a bogey word for west Europeans. It is what happens when large empires fragment into small and squabbling mini-states: impotence, frustration, bloodshed - and all in a context of complexity with which world statesmen, not to mention their electorates, soon lose patience.

Until two or three years ago it was a rather dated bogey word, referring mainly to things that happened in 1914 or earlier. Now, alas, it is all too topical. The break-up of Yugoslavia has been a classic case of Balkanisation right there in the Balkans. The rest of the Balkan peninsula - generally understood to include Albania, Bulgaria, Greece, Romania and the European part of Turkey - has come to be seen mainly as the wider theatre in which the Yugoslav tragedy is being played, and which might go up in flames if the fire on stage is not quickly put out, or at least contained.

Needless to say, this state of affairs is not good for the region, even those parts of it that have so far been spared direct involvement. Their trade is distorted by sanctions and by the disruption of transit routes, notably the Danube. Insecurity discourages foreign investment. And political leaders, too, tend to discriminate against the region. They give priority to central Europe - which is closer and seems more hopeful - or to Russia, because of its manifest strategic importance and vast natural resources. With a mixture of guilt and exasperation, they regard the Balkans as an area where they must struggle to contain the war, but there is nothing else to be done.

What western Europe most fears about the Balkans is that it might itself be contaminated and Balkanised. That is what happened, according to most west European diagnoses, in 1914; and if there is one thing the EC still feels entitled to congratulate itself on, in a Balkan context, it is that it has preserved its unity in the Yugoslav conflict, albeit a

Bogey word for EC

Europe's magnetic pull often promotes Balkanisation

unity of near-paralysis, in spite of deep disagreements among its members.

You can well imagine, therefore, that a meeting last weekend in Corfu on "the European Community and the Balkans", co-sponsored by the Commission with two semi-official Greek think-tanks, and attended by people from all the Balkan states, old and new, was not an entirely smooth or joyous affair. The people from Brussels tried not to sound patronising, but almost always failed. The people from the Balkans avoided, to a surprising extent, rehearsing their local quarrels. Instead they joined in a united litany of complaint.

The EC's pull tends to provoke the disintegration of other federal structures

accusing western Europe of everything from impeding capitalist development in the Balkans in the 19th century to discriminating against them in the kind of agreements it is prepared to negotiate in the late 20th.

Commissioner Joao de Deus Pinheiro, who as Portuguese foreign minister presided over the EC's abortive effort to prevent the war in Bosnia last year, was obliged to make an almost ritual act of contrition for that failure, while pleading that, if it were to do better in future, the EC must have "a credible back-up capacity" - ie, a military one, provided by the Western European Union, or failing that by Nato.

"Who is to blame?" asked Nikolai Todorov from Sofia, voicing the almost unanimous anger of the region. "Who

should take the burden of responsibility for what is going on in the Balkans today? What are we up against - 'Balkanisation' or 'Europeanisation'?"

Europeanisation of the Balkans? It sounds the opposite of what is happening, but I think I see what Mr Todorov means, or might mean. The EC congratulates itself on its powers of integration internally, and the "magnetic attraction" it exercises on those around it. What has not been sufficiently noted is that this powerful magnetic pull tends to provoke the disintegration of other federal or co-operative structures in the neighbourhood.

The EC may preach local and regional co-operation, but the audience is not interested. What the audience sees is a rich and powerful club, membership of which eclipses the value of any local association. Every nation or potential nation, if not every individual, starts to think how it could get in and how, above all, it must not be held back by association with less wholesome or less fortunate neighbours.

This is not a purely Balkan phenomenon. Czechs have dissociated themselves from Slovaks, and are not happy even about being bracketed with Hungarians and Poles. The latter in turn insist that they are central Europeans, who must not be lumped together with others further east or south. Balts are determined to be in a different category from Ukrainians, and Ukrainians from Russians. But "Balkan" is also a category no one wants to belong to, as a Slovene speaker in Corfu made tactlessly clear.

Interested observers, including the CBI and the Institute of Careers Guidance, which represents careers officers, say the reform addresses some, but not all, of their concerns about the quality of advice. A particular worry is that guidance in school will not be improved by the changes because it is not part of the new national curriculum which concentrates on core academic subjects. They argue improvements in careers advice should span both schools and the Careers Service.

What is clear, however, is that the service has moved from being a neglected Cinderella of local government to near the top of the political agenda as employers have grown more concerned about the skill levels of UK workers. Renewed interest in careers advice stems in significant part

from a CBI report, *Towards a Skills Revolution*, published in 1989. It argued skill levels could be improved only if individuals were motivated to make the fullest use of their talents. But the training and vocational system had never put individuals first - the needs of providers had enjoyed higher priority.

General recommendations on lifelong learning included specific calls for the introduction of a system of credit which would give individuals a publicly-funded right to post-16 education or training. Critical to the success of this scheme was high-quality careers guidance so that young people received help in deciding whether to stay at school or take up a job with training.

The influence of the CBI's ideas was evident in the government's 1991 white paper, *Education and Training for the 21st Century*, which outlined its plans for all 16 to 19-year-olds. By 1996, the paper announced, a watered-down version of the CBI proposals. Training credits for those leaving full-time education would be introduced.

The white paper contained proposals for raising the overall quality of the Careers Service, drawing it closer to employers and forging new links with employer-led Training and Enterprise Councils. TECs were set up to administer the government's publicly funded training programmes and increase employers' commitment to training.

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The white paper contained proposals for raising the overall quality of the Careers Service, drawing it closer to employers and forging new links with employer-led Training and Enterprise Councils. TECs were set up to administer the government's publicly funded training programmes and increase employers' commitment to training.

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FINANCIAL TIMES

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Wednesday July 7 1993

Health and development

THE WORLD Development Report from the World Bank is a timely reminder that at the root of the world healthcare problem lies a remarkable success: the increase in the life expectancy of all of the world's citizens. Precisely how long, and how healthy, their lives will be is still excessively determined by place of birth. But the rules for serving their rising health needs as well as possible are the same the world over.

In 1950, a child born in the developing world had a life expectancy of 40 years. Today it is 63 years. The chance of that child dying before the age of 5 is now 1 in 10, nearly three times lower than in 1950. The World Bank's report, "Investing in Health", pays due tribute to such achievements, the result of gains in income and education as well as concerted public health programmes.

Not that there is room for complacency. As the report notes, infant mortality is still 10 times higher in the developing world than in the established market economies because easily preventable health problems persist. Some 43 per cent of the burden of disease in Sub-Saharan Africa is due to complaints such as measles, which are cheaply prevented or cured. The report argues that governments could make progress even on existing budgets, by targeting funds more effectively.

Broad scope

The Bank's recommendations see a broad scope for the developing world to learn from the developed. Strategies which richer countries have found only belatedly in the face of rising health costs could be adopted now in many low and middle income countries. These would produce immediate gains in terms of human life as well as ensuring that future economic development has the maximum possible effect on health and living standards.

Governments must target what they spend towards those services which offer the biggest return. The difficult calculation about the balance of spending between highly specialised treatment and simpler procedures of wider value applies in both rich and poor countries. In the developing world, many still die for lack of access to clean water.

Crime, justice and efficiency

THE WISDOM of the 352 recommendations in yesterday's report from the Royal Commission on Criminal Justice should be assessed by the extent to which they will reduce the miscarriages of justice that have discredited Britain's criminal justice system. Although the scope of the inquiry has rightly been broadened to address other aspects of public unease, it was launched following the overturned convictions of the Maguire Seven, the Guildford Four and the Birmingham Six. Restoring confidence in the criminal justice system is vital not only in the battle against crime in the UK, but also in convincing other countries that they can co-operate with the British authorities in pursuing criminals.

Thus the recommendation that an independent tribunal be set up to review alleged miscarriages of justice is welcome. So, too, is the loosening of the restrictions on what may be considered by the Appeal Court in reviewing a case. These proposals should ensure that discredited convictions can in future be overturned more speedily than the 16 years taken with the Birmingham Six.

However, dealing with alleged miscarriages should be the final step in ensuring that justice is done. More important are measures to reduce the chances of mistakes in the first place. That means overhauling the process by which crimes are investigated and convictions obtained. At present, the police are under pressure to clear up crimes by finding a culprit and extracting a confession, sometimes with inadequate corroborative evidence. The string of miscarriages has made juries suspicious of the police and reluctant to convict on such evidence.

Interrogation techniques

Rectifying this means shifting the emphasis from securing a conviction, however unsatisfactory. Some of the commission's recommendations will assist in this. For example, opening up forensic evidence to the defence should encourage more objective examination of this specialist material, which is often crucial to a case. Better training for the police in interrogation techniques would reduce the number of confessions that later turn out to be groundless. A more rigorous approach to

encourages developing countries to promote diversity and competition in the funding and delivery of health services. The breadth of the Bank's experience enables it to show where lessons learnt in high income countries - about the dangers of fee-for-service insurance systems, for example, or scope for localised decision-making - can valuably be applied in poorer regions.

Donors' role

Growth in understanding of these points is at least as important as overall spending levels. The report notes that the share of overseas aid devoted to health fell from 7 to 6 per cent during the 1980s and argues that this cut should be restored. The Bank also points to a World Health Organisation estimate that less than half of all medical equipment in developing countries is reusable. Donors clearly have a part to play in ensuring that money is wisely spent.

The report also focuses upon two controversial areas: Aids and tobacco-related diseases. On current trends, each will be killing around 2m people a year in developing countries within 10 years. There is little support in this report for a fashionable western view that too much money is being spent on research into combatting Aids, although in the developing world, the key message is that preventive measures are as potentially effective as they are inadequately available. Diseases caused by tobacco also call for determined preventive programmes, although here the developed world's stance is compromised by the commercial interests of its cigarette manufacturers.

The core message of the Bank's report is that investment in health and in growth are two sides of the same coin. There is a "mutually reinforcing cycle" from improved health standards to higher productivity and stronger economic growth. The world's richest countries, as represented today at the G7 summit in Tokyo, have a role to play at each stage of the cycle, through nurturing information flows, aid programmes and, most important of all, the further development of a liberal system of international trade.

Germany's IG Metall, the world's most powerful trade union, is an uncontentious organisation. Six weeks ago, its charismatic leader, Mr Franz Steinbühler, was brought down by charges of insider trading. At a national conference on the future of pay bargaining one month later in Frankfurt his name was not mentioned once.

But the conference did more than emphasise that it is business as usual for Germany's 3.3m-strong engineering union. It also signalled that Germany's industrial relations system, battered by the deepest economic crisis since the war, is groping back towards the rational and consensual habits for which it was once admired.

The message to his members from 54-year-old Mr Klaus Zwickel, the new president of IG Metall, is clear: "For the next few years the room for manoeuvre on wages is going to be very limited." Union influence, he says, should be diverted into extending worker participation and influencing job structures. "Above all the new priority for our members is securing jobs," he adds.

But here, too, Mr Zwickel is coldly realistic. He is armed with the hard facts about industry's plans for lay-offs and restructuring from union members who sit on the boards of Germany's biggest companies. Mr Zwickel accepts that German industry faces "deep structural problems" and that manufacturing employment will fall "sharply".

This is not just conciliatory rhetoric after a period of unusually direct industrial confrontation. As German manufacturing sheds thousands of jobs every week, pushing unemployment to 3.27m last month, the union is not protesting or threatening strikes, as its UK counterparts did with little success in the early 1980s. Confronted by rising dues queues, the unions have moderated their pay claims. April's engineering industry pay rise of 3 per cent will probably mean a small fall in real incomes for most IG Metall members this year.

For Mr Zwickel and the German unions, it is a time for consolidation and even for tactical retreat, exemplified by recent IG Metall decisions to allow weekend working at one plant and a curtailment of benefits at a few others.

Yet the unions are operating from a position of relative strength. In the 1980s, while organised labour was in retreat throughout the industrialised world, union membership levels in Germany held firm at about 35 per cent. German workers also moved to the top of the world's hourly pay league and, thanks to IG Metall's successful campaign for the 35-hour week, now work the fewest hours per year of

any union in the world.

Preserving the overall agreement in Germany, even with a two-year

German unions are trying to build a consensus while protecting their national rights, says David Goodhart

A shifting market to test their metal

all industrialised nations.

The success story was crowned at the beginning of the 1990s by the wholesale transportation to east Germany of the west German industrial relations model: national bargaining and strong industry-based unions combined with legally-backed works councils (with wide veto powers over management decisions) and workers on the board at company level.

Such was the hold of the consensus model and the commitment to unification that German employers agreed in 1991 to equalise wages between east and west by 1994.

Two years later the whole deal threatened to fall apart. The engineering industry employers tried unilaterally to revoke the wage deal. IG Metall, led by the physically imposing figure of Mr Zwickel, denounced the move as an attempt by the employers to use east Germany to try to break the entire national bargaining system and ultimately to bring down wage costs in the west. On May 3, he called his members out on strike.

"It was the first time in postwar German history that the employers had torn up an agreement," Mr Zwickel says. His booming voice shaking with emotion at the memory. He maintains that both sides knew the real issue was not how quickly wages should be equalised but the sanctity of national agreements covering wages and conditions - what Mr Zwickel calls "the living nerve of the German unions".

Union officials admit privately that equalisation of wages creates problems in an area like east Germany where there are huge differences in productivity between old and new plants. Some east German plants have productivity as low as 30 per cent of the west German average while, for example, General Motors Eisenach plant has 150 per cent of western productivity.

When the IG Metall strike ended three weeks later, the union agreed to a delay until 1996 in the wage equalisation goal. Crucially, it also accepted "hardship clauses", allowing loss-making companies to opt out of the deal if the union agreed.

Preserving the overall agreement in Germany, even with a two-year



delay, was a timely triumph for Mr Zwickel, a "metalworkers metal-worker". He organised the strike with real unemployment close to 50 per cent in east Germany. Most members in the east were more concerned with job security than seemingly arcane "western" arguments about national agreements.

Mr Zwickel's direct and rather puritanical manner appealed to the rank and file in the east in a way that Mr Steinbühler's suave and huffy style did not.

For the new, more aggressive generation of German business leaders, Mr Zwickel will be just as formidable an opponent as his predecessor, especially as the union tries to push into new, white-collar areas to compensate for a shrinking blue-collar

base.

Many of those employers believe that the more conciliatory noises emerging recently from IG Metall's glass box headquarters in Frankfurt are too little, too late. Some employers are already seeking more flexible local deals outside the central bargaining system, although most want to stay with the national agreement. The unwritten rule that wages rise in line with prices, plus a share of productivity, has served many of them well.

But many employers now argue there must be further decentralisation and labour flexibility if Germany is to compete, pointing to the yawning difference in wage costs in Germany and elsewhere in Europe: hourly wages in Hungary (in

D-Mark terms) are one-tenth the German level and in Estonia one-hundredth. Mr Zwickel retorts that the German system fosters high skill and adaptability and, that on unit labour costs - combining costs and productivity - Germany is still cheaper than Britain, France and Italy and only slightly dearer than the US and Japan.

Even if Germany can remain competitive with western rivals, the attractions of low-wage eastern Europe mean that German companies are already moving jobs and investments east. The fear is, therefore, that Germany is now seeing not just recession-related job losses, but also more permanent structural unemployment.

Mr Zwickel dismisses the current demand by employers for a return to the 40-hour week, which he claims would increase unemployment by 800,000. Employer pressure to hold down the wages of unskilled labour and to negotiate at the plant level with more company-friendly works councils rather than the national union may be more difficult to resist.

Works councils are usually dominated by union members, but have been ahead of the national union in backing flexible working time arrangements. Thanks to that flexibility, the union can now boast that, as the working week has been cut, the running time of machines has actually increased. Mr Zwickel says that many employers have failed to exhaust the existing flexibility on working time.

"We reject a debate which is focused only on labour costs because we believe that 70 to 80 per cent of our problems stem from encrusted management structures," says Mr Zwickel, who is keen to improve product quality with "intelligent" team-working. He is not always sweet reason. The 12 requests by companies to implement the "hardship" clauses and thus to escape the overall wage agreement in east Germany have been rejected by the union. Six of them have now been ruled as justified by arbitrators - it is up to the union to decide if it accepts the ruling.

IG Metall may have held the line so far on its national agreements, but pressures on the union will remain intense. The union is at the cutting edge of the restructuring challenge facing the whole of German industry. It is not only German industry and the employers that have to adapt. IG Metall has to learn to juggle its inclination towards consensus and its desire to preserve traditional collective bargaining rights.

Solutions for a little local difficulty



The town crier was in action in the city of York last month, celebrating the prospect of the return of the Ridings - Yorkshire's historic boundaries - and of the city once again having control over a greater part of its own affairs. It has been a similar story in Bristol and on Teesside, while in Lincolnshire there is probably quite quiet (naturally) satisfaction that there need be no change in the present local government arrangements.

There is thus a serious risk that the review of the structure of local government in rural England will end up doing some popular things. But popularity is not necessarily a recipe for sound public administration. And the councillors whose futures are threatened have been quick to criticise the Local Government Commission for England's proposals and to hire expensive lobbyists to convince local people to reject them.

The commission has clear objectives to correct any mistakes that

were made in the last reorganisation in 1974; to streamline the confusing and wasteful two-tier system of district and county councils - there is considerable overlap of functions and few people know who is responsible for what (or, indeed, who their local councillors are); and, most important, to equip local government to meet the challenges of the early decades of the next century.

In the words of a recent FT leading article ("Local counsel", June 17), this will require a system of local government capable of strategic action, and which combines local delivery of services with genuine electoral accountability.

In the British way of doing things, we are only looking at the structure and boundaries of local government in rural England, not the way the new authorities are to be managed, nor how they will be financed. But, despite the obvious dangers in such a fragmented approach, useful progress has been made - even if we have not been able to "reinvent local government", to borrow the fashionable transatlantic phrase.

If our recommendations find

favour with local people, the gov-

ernment and parliament, there will be 24 new unitary local authorities replacing 66 county and district councils. There will have been a reduction in indirect costs compared with the present arrangements of some 10-12 per cent, worth some £50m a year, or around £35 for every household. The average new authority will have a population of around 250,000, although some will be relatively small with populations of less than 100,000 and a few will be quite large - though still smaller than the county council areas they replace.

We have been dangerously open about our method and approach. We think that a unitary structure is generally to be preferred to the existing two-tier system; but we recommended no change where the system seems to work well. We have not invariably chosen the lowest cost structure; but we have not put forward recommendations that will add to the present cost of bureaucracy in the areas in question, since all the evidence suggests that this would be unacceptable to local people.

And far from local democracy going out of the window, there will

be an improvement in democratic oversight compared with the present county councils, an enhanced consultative role for local (town and parish) councils, and maximum possible devolution of day-to-day management to the community level.

As we near the end of the first round of our work, several lessons are clear. People care much more deeply about their local government than is generally believed; we have been receiving as many as a thousand letters a day from a single review area.

There are few obviously right answers; in many places, the arguments between the alternatives are finely balanced. This is a time of great potential opportunity for English local government. But it could all too easily be lost in the morass of institutional politics - powerful vested interests are not going to go "quietly into the night".

Sir John Banham

The author is chairman, Local Government Commission for England

OBSERVER



"Two parent families are over-rated"

minister's role in guiding the treaty through the house.

So his departure from the foreign office in the May cabinet reshuffle appeared to leave a gap in the British government which is trying to cosy up to Latin America now.

The confidant's economic

performance is looking up.

Into the breach, however, steps

chief secretary to the treasury

Michael Portillo. Also a fluent

Spanish speaker, Portillo is at this

very moment on a trip to Mexico

and Chile with a group of British

businessmen in search of export

and investment opportunities.

At first blush, Portillo's direct

treasury style might look a trifle

dull beside the flamboyant Garel-Jones and his trademark cape. But Portillo does have some things going for him. A taste for the good life - and a liking for the odd glass of champagne - never goes down badly with Latin American elites. And, though he's on the political right, Portillo has other bases covered. His father fought against Franco in the Spanish civil war and there are plenty of Franco exiles scattered all over Latin America.

Tit for tat

■ Is it the sun, or is it to keep out the peeping toms from across the square? Whatever the reason US investment banker Morgan Stanley seems intent on reversing the trend towards greater transparency in Britain's financial markets by shrouding its affairs in secrecy.

It is replacing the windows of its Cabot Square headquarters, in London's Canary Wharf, with reflective glass panes. As a result Morgan's rivals across the Square at Credit Suisse First Boston will no longer be able to train their binoculars on the firm's inner-most secret. Expect CSFB to follow suit.

Eying up 3i

■ There may be no such thing as bad publicity but 3i, Europe's largest venture capital company, has decided that enough is enough

battered by reports of its on-off flotation and bruised by comment about its inability to keep a chairman, it has decided that its image needs management.

Charles Richardson, 39, who has worked for 3i for 12 years and is currently regional director for the north and Scotland, has been appointed 3i's first director of corporate affairs.

Hard to know whether this is a promotion or a sideways move for Richardson. But there is rather less ambiguity about the role of Shandwick, whose long-term relationship with 3i has been one of the few fixtures in the fickle pr world. Dewe Rogerson, brought in to handle 3i's much delayed flotation, seems to be emerging as the senior media adviser, which must be all rather humiliating for what used to be the world's biggest pr company. After all it was 3i which gave Shandwick its first big break in business.

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KHD puts pressure on suppliers to cut costs

By Christopher Parkes
in Frankfurt

KLOCKNER-Humboldt-Deutz, the Cologne-based engineering group, is to adopt the Volkswagen group's cost-cutting techniques in an attempt to restore growth.

The company said yesterday that it expected to break even this year for the second year in succession despite a slow first half. But capacity and costs had to be reduced further.

All expenditure would have to be cut, including spending on materials, fixed and personnel costs and interest payments. However, most effort would be focused on significantly lowering procurement costs.

Outside suppliers were expected to accept the necessary changes and use the opportunities for greater co-operation with KHD, the company said.

The group's plans, which include the loss of 2,000 jobs, will be spelt out in greater

detail at the end of next month.

They appear to match closely the projects under way at VW, where protesting suppliers have been asked for price cuts of up to 30 per cent.

Mr Werner Kirchgässer, chairman, warned of impending action last month when he said sales for the first five months of the year were down 21 per cent and incoming orders were 25 per cent lower than a year earlier.

The company said no improvement in its main markets could be expected in the near future, adding that current difficulties were likely to persist into 1994.

As well as feeling the effects of industrial recession, KHD has been badly affected by cuts in the European Community's spending on agriculture, which have hit sales of tractors and other agricultural equipment.

KHD made its last dividend payment in 1986 and is not expected to resume pay-outs

until 1996 at the earliest.

• Group earnings at Commerzbank, Germany's third-largest bank, rose by 15 per cent in the first five months of the year, Mr Martin Kohlhaussen, the bank's chief executive, said yesterday, writing David Waller in Frankfurt.

However, partial operating profits - excluding own-account trading profits - remained unchanged compared with the same period last year.

The chairman's remarks reflected his observation last month that there had been a "double-digit" increase in profits between January and May.

He explained that the growth came largely from own-account trading in foreign exchange and securities.

The unchanged operating profits reflected an 8 per cent increase in administrative costs as well as reduced credit demand from Germany's recession-weakened industrial sector.

Interest on the tax overpayment, increased 21 per cent to £310m compared with £223m investments worth £415m the year before.

A further £2m of revenues was earned in the form of interest earnings on a tax overpayment made in a previous year.

It strengthened its balance sheet, reduced its borrowings and achieved a £200m improvement in its cash flow position during the year, Mr Ewen Macpherson, chief executive, said.

Operating costs had been reduced by staff cuts and a streamlining of its regional office network. It increased its share of the market for smaller company finance from 45 to 48 per cent.

Dividend earnings from investments rose 14 per cent to £89m while interest earnings fell 6 per cent to £118m, reflecting generally lower interest rates. Fees and other earnings, including the £2m of

under the 1990 Broadcasting Act, the nine largest ITV companies, including Granada and LWT, are forbidden from taking each other over.

The National Heritage Department, following a meeting with the chairman of the ITV companies, is considering the case for a relaxation of the rules, but it is not yet clear whether the government has decided to make such a move.

A number of ITV companies, mainly potential takeover targets such as HTV and Anglia, are opposed to a relaxation of the rules.

Granada's increased stake in LWT has galvanised the London financial community. The shares of a number of ITV companies have risen on the back of takeover speculation.

Sir Christopher and Mr Robinson last night rejected any notion that today's talks might include even exploratory conversations on a future merger. "You can't agree a non-bid and we don't intend to," said the LWT chairman.

Granada believes that a rationalisation of the ITV ownership structure is inevitable. The previous chairman, Mr Alan Wheatley, resigned in April when the company announced it had indefinitely postponed plans for a flotation.

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Granada lifts LWT stake to near 20%

By Raymond Snoddy
in London

GRANADA, the UK leisure, television and computer services group, yesterday increased its stake in London Weekend Television to just under 20 per cent, the maximum possible under broadcasting legislation.

The deal means Mr Gerry Robinson, Granada chief executive, has invested around £24m (\$126m), at 25 a share, in the weekend television station

state which is the

Snia, Rhône-Poulenc in new link-up

By Paul Abrahams in London
and Haig Simonian in Milan

SNIA FIBRE of Italy and Rhône-Poulenc of France yesterday announced plans to merge their textile nylon businesses, continuing the restructuring of the European fibres industry.

The deal, if concluded, would create Europe's largest textile yarn manufacturer, with annual sales of about FFr2.6bn (245m). It follows Du Pont's acquisition of ICI's fibres operations, which was completed last week.

Snia and Rhône-Poulenc already have a carpet fibre joint venture which is the

second-largest European manufacturer.

In the latest venture, Snia claims to have 17 per cent of the west European market, while Rhône-Poulenc is to contribute about 20 per cent. The 50-50 joint venture will have a capacity of about 100,000 tonnes a year.

Although west European capacity is more than 350,000 tonnes a year, demand is only 280,000 tonnes, according to the Committee of Rayon and Synthetic Filament.

The French company said it did not expect difficulties from competition authorities, because Europe had to be able to compete against Asian man-

ufacturers. Du Pont has about 25 per cent of a market which is growing at only 2 per cent a year because of competition from other fibres such as polyester. Radici of Italy is the third-largest manufacturer.

Rhône-Poulenc said the two businesses, which employ about 3,000 people, were complimentary. Snia was strong in nylon 6 and had considered building a plant to make nylon 66. This is where the French company is strongest. Snia's operations are mainly in Italy, while Rhône-Poulenc's are in Germany and France.

The French group's fibre operations in Brazil and Slovakia are not included in the deal.

"Integrating our respective nylon textiles activities will allow us to optimise synergies in research, production and marketing, with the aim of

Time out for Benetton game plan

The sports side may not be ready for investors, writes Haig Simonian

ITALY'S Benetton family may be having second thoughts about pressing forward with the planned flotation of its growing sports activities in the New York Stock Exchange, in spite of the successful example set by the Fila sports group in May.

The two will explore co-operation and cost savings between the two companies.

"We just want to see where we go from here," said Mr Robinson.

Under the 1990 Broadcasting Act, the nine largest ITV companies, including Granada and LWT, are forbidden from taking each other over.

The National Heritage Department, following a meeting with the chairman of the ITV companies, is considering the case for a relaxation of the rules, but it is not yet clear whether the government has decided to make such a move.

Some bankers believed Benetton Sportsystem, the holding company established this year for the family's bulging sports portfolio, might have followed the lead and been floated before Christmas.

However, signs now are that the Benetton, who over the past three years have quietly acquired 10 leading sports equipment companies through their Edizione Holding master company, may have pushed back their ambitions.

The group, which includes familiar brands such as Prince tennis racquets and Nordica ski boots, "still needs to be simplified", says one banker familiar with the company.

"They need to talk to US investors, and there are still tax implications to be worked out."

However, the Benetton have started to spread the word. At

a penthouse showroom in New York's Fifth Avenue earlier this year, they displayed together for the first time the full range of brands.

The target is to make Benetton Sportsystem one of the world's top five sports groups by 1995. By then, sales should exceed \$1bn, putting it just behind Nike, Reebok, Adidas and Mizuno of Japan.

Benetton's strategy began in the late 1980s, when the fragmented sports equipment industry was identified as offering potential for growth through consolidation. The sector fitted in with the Benetton's experience in manufacturing and retailing and coincided with the family's relaxed, unfussy and vaguely "green" business image.

The takeovers started with Italy's Nordica in May 1988. This year, the group reached its first goal of assembling an adequate portfolio of sports brands. "We have products for sports from January 1 to December 31, meaning we are no longer dependent on one season," says Mr Silvano Storer, joint managing director of Benetton Sportsystem.

Other criteria - buying brands which were internationally known and among the leaders in their sectors, and in sports showing rising demand - have also been met, he says.

With the acquisition phase complete, attention has shifted

many more for related clothing," says Mr Storer. "To have annual sales of over \$1bn, shoes and clothing would probably have to account for at least half."

To get there, Sportsystem will have to combine skills and resources in its component companies in much the same way as is already happening with Nordica and Rollerblade.

The Benetton's have created a new subsidiary, N & Co, to co-ordinate clothes manufacturing. Tennis fans will still have Prince apparel to match their racquets, but production will be co-ordinated by N & Co. Costs will be cut by farming out manufacturing to eastern Asia.

A similar strategy is planned for footwear. The aim is to rationalise individual ranges, while preserving brand identities, to create a shoe selection spanning products for tennis and jogging to those used for hiking and mountaineering.

The group also sees scope for improving marketing and distribution by combining sales forces. At present, each brand has its own sales and distribution. The aim is to reduce that to just one network for all the brands.

Rationalisation is already under way. Nordica has signed an agreement to distribute Rollerblade products in Europe and Japan, the areas where its sales force is strongest.

Venture capital group finds little demand for funds

By Charles Batchelor
in London

SI, BRITAIN'S largest venture capital company, has nearly £1bn (\$1.5bn) available for investment, but despite an upturn in activity it has yet to experience a surge in demand for funds.

A turnaround in performance in the second half saw pre-tax profits increase 38 per cent to £56m for the year to March, the company announced yesterday. This included an £8m exceptional gain in the form of interest on a £32m tax rebate.

Sales and flotation boosted profits from disposals to £115m from £89m.

But provisions increased sharply from £6m to £17m, including a £72m write-off of the stake in Isoscelles, the parent of Gateway supermarkets. A further £56m was written off on UK investments and £30m on those overseas.

Interest on the tax overpayment, increased 21 per cent to £310m compared with £223m investments worth £415m the year before.

Net assets rose by 4.7 per cent to £1.23bn over the year after falling by 6.4 per cent during the first half. Net assets per share advanced by 4.6 per cent to 56.3p.

Earnings per share grew 16 per cent to 15.8p. A final dividend of 8.2p makes a total of 11.5p, an increase of 5.5 per cent.

• SI is expected to announce at its annual meeting on July 29 that Sir George Russell, chairman and chief executive of Marley, the building materials group, is to become its new chairman. Sir George is a non-executive director.

The previous chairman, Mr Alan Wheatley, resigned in April when the company announced it had indefinitely postponed plans for a flotation.

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SCHRODER JAPANESE WARRANT FUND LIMITED

NOTICE AND AGENDA

NOTICE is hereby given that the Third Annual General Meeting of Schroder Japanese Warrant Fund Limited will be held at 10.30 a.m. on Friday 23rd July, 1993 at Barfield House, St Julian's Avenue, St. Peter Port, Guernsey, Channel Islands for the purpose of considering and, if thought fit, passing the following resolutions.

- That the Report of the Directors and the Accounts be adopted.
- That Mr. M. Smith be re-elected to the Board of Directors.
- That Coopers & Lybrand be re-appointed as Auditors of the Company.
- That the Board be authorised to agree with the Auditors a sum to cover their remuneration.

Registered Office:
Barfield House, St. Julian's Avenue
St. Peter Port
Guernsey
28 May 1993

By Order of the Board
Schroder Investment Management (Guernsey) Limited
Secretary

NOTES
1. A member of the Company entitled to attend and vote may appoint a proxy or proxies to attend and on a poll to vote in his stead. A proxy need not be a member of the Company.

2. In accordance with the requirements of The Stock Exchange, London, a statement of all transactions of each Director and of his family interests in the shares of the Company will be available for inspection at the registered office of the Company during normal business hours from the date of this notice to the conclusion of the Meeting. None of the Directors has a contract of service with the Company.

3. VOTING ARRANGEMENTS FOR IDR-HOLDERS
IDR-Holders who wish to vote must follow the following procedure:

If the IDRs are held in an account with Euroclear or Cedel, IDR-Holders must contact Euroclear or Cedel instructing them to block the IDRs in the IDR-Holder's account until conclusion of the meeting and specify the manner in which the votes attributable to the IDRs should be cast.

If the IDRs are not held in Euroclear or Cedel, IDR-Holders must ensure that their voting instructions, together with either their IDRs or their bank's confirmation of deposit (including IDR serial numbers), reach the Depositary at the latest on 19th July, 1993 at the address given below (attention Securities Department - telephone 322.2518.84.49 - telex 21752 MORBK S).

Copies of the Annual Report are available from the Depositary at the address indicated below:

Depositary: Morgan Guaranty Trust Company of New York
35, Avenue des Arts, 1040 Brussels.

UNIGESECO INC.

7/14 Convertible Debentures due June 16, 1997 (the "Debentures")

NOTICE IS HEREBY GIVEN that the holders of Debentures of Unigesco Inc. have approved at an adjourned meeting of said holders held on June 25, 1993 in Montreal, Quebec, the amendments to the Extraordinary Resolution submitted at said adjourned meeting.

NOTICE IS ALSO HEREBY GIVEN that, pursuant to Section 4.02 of the Paying and Conversion Agency Agreement entered between Unigesco Inc., General Trust of Canada, the Principal Paying Agent and the Paying Agents on June 16, 1987, payments in respect of the Debentures and coupons have been received by the Principal Paying Agent and are available to the Debentureholders on July 7, 1993.

Holders of Debentures who have chosen Option A, upon surrender of their Debentures together with the coupon matured on June 16, 1993 to anyone of the Paying Agents, will receive the following:

(i) all accrued interest up to June 16, 1993 on the Debentures, and
(ii) interest from June 16, 1993 up to July 2, 1993 calculated at the rate of 10% per annum on the amount to which reference is made in (i) above.

With respect to Debentures surrendered by Debentureholders who have chosen Option A, the Paying Agents shall make a notation or endorsement on the Debentures so surrendered, whereupon the principal amount thereof shall be reduced for all purposes by the amount so noted or endorsed, and the Debentures so noted or endorsed shall be returned to the bearer thereof.

BANQUE PARIBAS LUXEMBOURG, as Principal Paying Agent.

The names of the Paying Agents and their specified offices are as follows:

Banque Paribas Luxembourg
10A boulevard Royal
Luxembourg
LUXEMBOURG

Kreditbank N.Y.
7th Floor, Exchange House
Prinrose Street
LONDON EC2A 2HQ

Swiss Bank Corporation
Aeschenvorstadt 1
CH-1002 BASEL

Kreditbank N.Y.
Aeschenvorstadt 1
CH-1002 BASEL

National Bank of Canada
at any of its branches
in CANADA

BCN BARCLAYS BANCO DE INVESTIMENTO S.A.

US \$50,000,000.00 Floating Rate Commemorative Paper Notes Due 1994</h3

INTERNATIONAL COMPANIES AND FINANCE

AMD lifts profits and sales in second quarterBy Louise Kehoe
in San Francisco

ADVANCED Micro Devices reported a rise in sales and earnings for the second quarter and said it had introduced its version of the Intel 486 microprocessor widely used in personal computers.

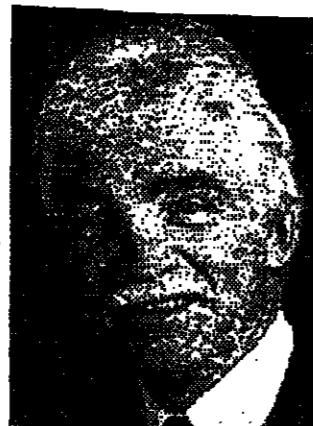
Net income was \$64.4m, before payment of preferred stock dividends, an increase of 55 per cent over last year's second quarter when net earnings were \$41.4m. Sales advanced to \$409.1m, up from \$350.2m in the same period last year.

After the preferred dividend, net income per common share was 60 cents, up from 43 cents.

AMD was lifted during the year by sales of its clones of Intel microprocessors. However, the company said that during the second quarter sales of its other products grew by nearly 14 per cent over the previous quarter.

Sales of flash memory chips, used in portable computers as an alternative to disk drives for data storage, increased by almost 60 per cent, the company added.

This more than offset a decline in sales of AMD's 386 microprocessors, said Mr Rich-



W.J. Sanders: 'announcement a milestone for AMD'

ard Previte, president and chief operating officer.

"Our 386 microprocessor business reflected the market shift toward 486-based personal computers," he added. "Revenues from 386 microprocessors declined in a softer market with lower average selling prices."

AMD began shipping 486 microprocessors during the second quarter, and said it expected sharply increased sales in the current quarter. "The Am486 family will be a significant contributor to reve-

NEWS IN BRIEF

Videotron rises 91% to C\$22.1m

By Robert Gibbens in Montreal

VIDEOTRON of Canada, which is developing cable systems in southern England with Cable & Wireless and BCE, reported net profit of C\$22.1m (US\$17m), or 30 cents a share, for the nine months ended May 31, up 91 per cent from a year earlier, on sales of C\$448m, against C\$409m.

Videotron, Canada's second-biggest cable operator and owner of a Montreal TV station, attributed the gain to higher cable rates and growth in the subscriber base.

• Cogeco, a Canadian cable operator and broadcaster and newspaper publisher, earned C\$5.5m, or 38 cents a share, in

the nine months, up from C\$1.3m a year earlier when after preferred dividends nothing was available for the common stock. Sales were C\$144m, up 9 per cent.

The company is raising C\$65m of new equity.

• Energie-Versorgung Niederoesterreich (EVN), a leading Austrian energy utility, said revenues in the nine months to 31 May 1993 were up 4.8 per cent, writes Ian Rodger in Zurich.

Mr Rudolph Gruber, the chief executive, said the result provided a solid base for the full year.

Revenue from electricity sales was up 3.7 per cent, gas income was up 7.2 per cent and

heating sales gained 11.9 per cent. No figures were given.

In the first half, pre-tax profits jumped 12.1 per cent to Sch1.2bn (\$105.3m) on revenues up 4.7 per cent to Sch5.9bn.

• W.R. Grace, the US specialty chemicals and health care group, has elected Mr Richard Kinard to the new post of corporate vice-president responsible for engineering, Reuter reports.

Mr Kinard will head Grace's worldwide engineering staff and report to Mr F. Peter Boer, Grace's chief technical officer and executive vice-president.

Mr Kinard was director of engineering for Cryovac North America, Grace's core packaging business.

This announcement appears as a matter of record only.

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**THE
BANK OF
NEW
YORK**

For further information regarding The Bank of New York's ADR Services, please contact Kenneth A. Lopian in New York (212) 815-2084, or Michael McAuliffe in London (071) 322-6336.

BBV BANCO BILBAO VIZCAYA

The Board of Directors of Banco Bilbao Vizcaya has approved the payment of a first quarterly dividend for the financial year 1993 on all shares in issue, numbered 1 to 231,000,000 as follows:

Gross Dividend	Tax	Net Dividend
38 ptas	9.50 ptas	28.50 ptas

Date of payment: on or after 10th July 1993

Place of payment: At the Head Office and branches of Banco Bilbao Vizcaya or its subsidiaries.

Compagnie Nationale Air France

FRF 600,000,000

Adjustable Rate Series A Bonds due 1996

In accordance with the Terms and Conditions of the Series A Bonds, notice is hereby given that for the Interest Period from July 7, 1993 to July 7, 1994, the Series A Bonds will carry an Interest Rate of 6.46% per annum



The Fiscal Agent
Kredietbank
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Northwest agrees deal with pilotsBy Karen Zagor
in New York

NORTHWEST AIRLINES, the debt-burdened US carrier which is integrating its operations with those of KLM Royal Dutch Airlines, yesterday stayed off a bankruptcy filing by reaching an agreement with its pilots' union.

This is in keeping with Northwest's plan, announced last year, to cut labour costs by \$885m over three years.

The airline's earlier offer to give employees a 30 per cent stake in the airline and three of its 15 board seats in exchange for pay concessions may have changed.

The pact was approved overwhelmingly by leaders of Northwest's Air Line Pilots Association (Alpa) and no fur-

ther vote is necessary by the union.

The carrier still needs to reach revised agreements with its two other main unions - the International Brotherhood of Teamsters, representing flight attendants, and the International Association of Machinists.

Northwest is struggling under the burden of debt acquired when the airline was taken private in a \$3.65bn leveraged buy-out in 1989.

Dire industry conditions have added to the carrier's woes. Northwest hopes to reach a voluntary restructuring agreement rather than reorganising while operating under Chapter 11 of the bankruptcy code.

Since 1990, five big US carriers have entered Chapter 11.

ing due in the next few years. Last week, the airline's banks approved a plan to defer most of the payments on a \$1.25bn loan until 1997.

Northwest is struggling under the burden of debt acquired when the airline was taken private in a \$3.65bn leveraged buy-out in 1989.

Dire industry conditions have added to the carrier's woes. Northwest hopes to reach a voluntary restructuring agreement rather than reorganising while operating under Chapter 11 of the bankruptcy code.

Since 1990, five big US carriers have entered Chapter 11.

Argentine group raises \$200m to cut debtBy John Barham
in Buenos Aires

SCP has built up \$300m in debts as it has acquired minority stakes in energy companies and utilities.

SCP has sold for \$112.5m its 5 per cent stake in Cointel, a vehicle that controls one of Argentina's two privatised telephone companies, Telefonica de Spain.

SCP also plans to raise \$80m in part, this is due to new corporate debts and the need to reduce debt. In SCP's case, debt was equivalent to its 1992 turnover of \$31.8m.

SCP's stake in Cointel has proved highly profitable, growing in value by more than 500 per cent since privatisation in November 1990.

However, SCP will retain its 25 per cent holding of preferred stock in Telefonica de Argen-

tina, the telephone company which is controlled by Cointel.

SCP said that as well as strengthening its balance sheet and reaping a substantial profit from Cointel, it wanted to concentrate resources in investments which enabled it to exercise some management control over companies.

Last week, the Citicorp consortium, in which Sociedad Comercial and National Grid Company of the UK each have a 15 per cent stake, won a concession to run Argentina's electricity distribution system.

**YOUR DAILY
BUSINESS BRIEFING
IN 160 COUNTRIES
AROUND
THE WORLD**

This announcement appears as a matter of record only.

Hardy Oil & Gas USA Inc.

US\$25,000,000

Senior Notes due 2003 guaranteed by

Hardy Oil & Gas plcS.G.Warburg & Co. Inc. arranged
the private placement of these securities**S.G.WARBURG**S.G.Warburg Group plc
London, New York, Tokyo,
Auckland, Amsterdam, Bangkok, Boston, Frankfurt, Geneva, Hong Kong, Kuala Lumpur, Lisbon, Luxembourg, Madrid, Melbourne, Milan, Munich,
Munich, Paris, Seoul, Singapore, Sydney, Tokyo, Vancouver, Wellington, Zurich

This announcement appears as a matter of record only.

David S. Smith (Holdings) PLC

US\$100,000,000

Senior Notes due 2000

S.G.Warburg & Co. Inc. arranged
the private placement of these securities**S.G.WARBURG**S.G.Warburg Group plc
London, New York, Tokyo,
Auckland, Amsterdam, Bangkok, Boston, Frankfurt, Geneva, Hong Kong, Kuala Lumpur, Lisbon, Luxembourg, Madrid, Melbourne, Milan, Munich,
Munich, Paris, Seoul, Singapore, Sydney, Tokyo, Vancouver, Wellington, Zurich

INTERNATIONAL COMPANIES AND FINANCE

Gaylord hits the high notes with latest craze for country music

Martin Dickson reports from New York on the success and aspirations of an entertainment group devoted to the values of rural America

CRASY as a 'coon. That, roughly speaking, was how much of the US television industry dismissed upstart Gaylord Entertainment in 1983 when it launched a cable network devoted to subjects which stir the soul of rural America - such as country music, drag car racing, pick-up trucks, down-home cooking and bass fishing.

Yet, 10 years later, Gaylord's The Nashville Network (TNN) is one of the most successful US cable channels and a second network, Country Music Television, which Gaylord acquired in 1991, is among America's fastest-growing cable services.

Gaylord, in short, is riding high on a boom in country music which has made this the fastest-growing form of popular music in the US. And now it is hoping to export its success to Europe.

The boom seems due largely to the emergence of a new generation of young singers - led by the phenomenally popular Garth Brooks - who are more able to cross the boundary which has traditionally distinguished country from the broader pop stream.

Country is also benefiting as pop fans turn away from rap and grunge, and from a vogue for simpler, rural values.

Whatever the cause, Gaylord, based in Nashville, Tennessee, is ideally placed to benefit, for it dominates country music in a similar manner to Walt Disney's hold on children's entertainment, with interests ranging from cable networks to a theme park.

At the heart of the group, giving it coherence, is its ownership of country music's most venerated institution, the Grand Ole Opry. This is a folksy show, broadcast from Nashville ever since 1925, which has played a central role in the development of 'country' artists.

The Opry House, where performances are held, is a key feature of Gaylord's nerve centre, the Opryland complex, just outside Nashville.

The complex includes its theme park and the Opryland hotel, an imposing building in southern plantation style featuring vast glass-enclosed gardens, complete with waterfalls and fountains synchronised to accompany evening performances by a harpist.

"This is not just a hotel, this is an entertainment experience," says Mr Terry London, Gaylord's chief financial officer, sipping a drink against a backdrop of 10,000 tropical plants.

Gaylord - quoted on the



Country singers Emmylou Harris and Garth Brooks on stage at the Grand Ole Opry in Nashville, Tennessee

New York Stock Exchange but 50 per cent held by the family and associates of its eponymous chairman, Mr Edward Gaylord - was an Oklahoma-based owner of newspapers and broadcasting stations until 1988, when it bought the Grand Ole Opry and the adjoining hotel and theme park.

It went public with a stock offering in October 1991, partly

to provide for growth and partly to give liquidity to the founding families, and since then the share price has soared from \$20.50 to around \$45.

Group revenues jumped from \$417m in 1988 to \$643m last year and operating cash flow from \$64.5m to \$150.5m.

Gaylord's growth is due to more than being in the right place at the right time. It has

gained a reputation for good management, a sensible expansion strategy, strong finances and an ability to cross-promote its subsidiaries.

The major source of profit and revenue growth for the foreseeable future will be the two cable networks, which already provide over 30 per cent of cash flow.

TNN reaches 57m subscribers - 93 per cent of cable

households in the US and 61 per cent of TV households.

Mr London says it still has plenty of growth potential, since cable will continue to penetrate US homes at a rate of 4 to 5 per cent a year. Also, TNN's advertising sales are still somewhat below those of some other networks because of Madison Avenue's past prejudice against country music.

But Gaylord's greatest

growth over the medium term is likely to come from CMT, which broadcasts non-stop country music videos.

Since Gaylord acquired 67 per cent of CMT 18 months ago, the network has increased its number of subscribers from 10m to around 19m. It attracts a much more youthful audience than TNN, which should make it attractive to advertisers, and its programming costs are small, since record companies provide it with videos free.

Last October, CMT launched a service into the fledgling European cable television market, which Gaylord thinks offers good long-term growth prospects.

Says Mr London: "Estimates suggest there will be 54m cable homes in Europe by the year 2000. There are currently 60m in the US. So we have the opportunity to repeat what we have done here."

It remains a moot point, however, whether Europeans will get excited about something as quintessentially middle-American as country music, even if CMT waters down its programming for transatlantic consumption.

Gaylord is also looking for significant growth at the Opryland Hotel, which is already one of the 20 largest hotels in the US in terms of guest

rooms. A leading convention centre, it has more than 2m room nights of bookings, stretching to the year 2000, and an 88 per cent occupancy rate.

Gaylord has just announced plans for \$175m of capital spending to add 978 rooms to the existing 1,891, to double the trade show facilities, and to create another immense glass covered space called "The Delta".

Two main dangers would appear to face Gaylord.

One is that it might grow faster than its management resources, though it recently addressed this by hiring Mr Richard Evans, former president of New York City's Madison Square Garden auditorium, as chief operating officer.

The second is that country music could prove a temporary craze, as in the past. However,

Mr David Hall, general manager of TNN, argues that at the end of each boom industry revenues have remained higher than before the craze began, and he expects this long-term growth pattern to continue.

"We will find artists that will... keep pushing up that trendline further and further, if no one goes to sleep at the wheel," he insists. "We're dealing with a lifestyle here."

Toyota Motor gives profit target warning

TOYOTA MOTOR will find it even harder to achieve its parent company profit target this year, according to Mr Taisuro Toyoda, president, Reuter reports from Tokyo.

"We worked hard to meet our forecast of parent company current profit of \$3.76bn for the year ended June 1993. It will be an even tougher in 1993-94," he said.

Toyota has lowered its forecast of domestic vehicle sales to 2.20 in calendar 1993 from a December forecast of 2.32m, Mr Toyoda said. The company sold 2.24m vehicles in Japan in 1992.

Domestic vehicle sales by Toyota in the first half of 1993 fell short of the 1.1m the company had forecast.

"We hope to achieve domestic sales of 2.20m vehicles in calendar 1993, thanks to a big sales push in the second half," Mr Toyoda said.

■ Tunter Petrochemicals yesterday confirmed plans to build Taiwan's seventh naphtha cracker with a projected total investment of N\$87bn (US\$3.5bn), writes Dennis Enghardt in Taipei.

The facility will have an annual throughput capacity of 10m tonnes, or 22,500 barrels a day.

A spokesman estimated that the complex's annual production could reach a value of N\$79bn. The proposed site would be close to Formosa Plastics' cracker in a coastal industrial zone near Taihsu in Yunlin county.

The project would be the largest single investment by the Tunter Group and officials said that Tunter would seek to

NEWS DIGEST

gain the participation of domestic and foreign investors in the project.

■ Saudi British Bank, owned by Saudi shareholders and the British Bank of the Middle East, has reported a 50 per cent increase in net profit to SR193.2m (\$61.5m) for the first half of 1993 compared with a year earlier, Reuter reports from Manama.

The bank said the performance reflects strong business growth in all core business activities. Operating profit, before provisions for doubtful debts, was 44 per cent higher at SR211.2m.

Provisions were maintained at SR18.00m. On the balance sheet, total assets at the end of the half were 21.8bn riyals, up 26 per cent.

■ Mr Andrew Dixon, SBB's managing director, said: "The economic outlook for Saudi Arabia remains encouraging and the bank is well placed to continue its business growth through 1993."

■ Taiwan has unveiled a plan to privatise Chinese Petroleum, the state oil company, by selling divisions, Reuter reports from Taipei.

Chinese Petroleum, which has assets worth about \$1bn, would be privatised over the next seven to eight years, according to the finance ministry. It said CPC would be split into four sections - shipping, petrochemicals, natural gas and oil refining - in order to allow the company to be absorbed by private sector investors.

BIRMINGHAM & THE WEST MIDLANDS

The FT proposes to publish this survey on July 14 1993.

It will be read by senior businessmen in manufacturing industries, service industries, government departments and funding authorities worldwide. It will be of particular interest to 139,000 directors and managers in the UK alone who read the weekly FT.*

To find out how to reach this important audience with your services, expertise and products, call

Anthony G Hayes
Tel: 021-454 0922
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George House,
George Road,
Edgbaston,
Birmingham B15 1PG

Data source: BMRC Business Survey 1993

FT SURVEYS

LEGAL NOTICES

IN THE MATTER OF

WINSTON FISHING HOME & CLINIC LIMITED

AND OTHER PARTIES

THE INSOLVENCY ACT 1986

Letter of Re lief filed on 27th April 1993

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German bonds rise on hopes of further interest rate cut

By Peter John in London and
Patrick Harverson in New York

REVITALISED hopes of a further German interest rate cut before the Bundesbank policymaking council goes into recess at the end of the month sent German government bonds higher yesterday.

GOVERNMENT BONDS

Enthusiasm had dampened in early trading on news that the coupon on the new 10-year Treubund bond was set at 6% per cent, disappointing market expectations of a 5% per cent coupon.

However, September bond futures shot forward on rate cut hopes in late trading to close 0.21 higher at 33.38. The hopes were fuelled by a statement from Mr Helmut Schlesinger, the president of the Bundesbank, that inflation in the past quarter was only 2.7 per cent.

That figure approaches the Bundesbank target of 2 per

cent and leaves room for a further easing.

Traders and economists are speculating that the Bundesbank will not ease at the next council meeting on July 15 but will cut at the last one on July 29.

UK Gilts rose again in response to a strong pound, the German rate cut optimism and the fundamental attractions of the UK government bond market.

Any German easing will leave more room for manoeuvre in the UK and investors still like the UK's appeal of low inflationary prospects coupled with slow growth.

However, the currency was the main reason behind yesterday's rise as overseas investors acted on the further strength of the pound against the D-Mark. Long gilt futures for September lifted a further 2% to 107.18.

The rapid rise in gilt prices (and fall in yields) has taken some economists by surprise. Mr Julian Callow, economist with Kleinwort Benson, said

that at 7.55 per cent the yield on 10-year issues had almost reached his forecast for the end of the year.

■ FRENCH government bonds were also pulled higher by the prospect of a German easing and received an added impetus from a stronger franc.

Technical buying gave the September 10-year future added support and it closed half a point higher at 119.80.

The Balladur privatisation bond issue appears to be subscribed beyond the FF470bn target initially announced, AP-DJ reports from Paris. Bankers handling the issue could not confirm a figure of FF830bn but some observers indicated that the number was not far-fetched. The subscription period runs until July 10.

The bonds carry a 6 per cent coupon and can be converted to shares in privatised companies. They also carry assured tax benefits.

■ ITALIAN debt drifted back as investors took profits after a recent strong rally. The BTP

10-year futures contract for September slipped a quarter point to 103.89.

However, fundamental sentiment was good and operators who took profits found eager buyers at lower levels. Dealers said few investors were seriously worried ahead of yesterday evening's vote of confidence in the government of Mr Carlo Ciampi.

Several economists believe the BNTP contract which has risen from 93.90 at the start of April could gain a further two points if the Bank of Italy continues to make substantial cuts in its discount rate.

■ PORTUGUESE bonds fell from early highs on profit-taking, and dealers said recent price rises had been overdone. Some banks with excess funds were still attracted to the good rate on fixed rate bonds compared to the 10.25 per cent central bank rate for napping up liquidity, they added.

■ THE US Treasury market reopened after the long weekend in a broadly positive

FT FIXED INTEREST INDICES									
	July 6	July 5	July 2	July 1	June 30	Year ago	High	Low	
Govt Bonds (10y)	97.80	97.74	97.39	97.43	97.22	98.04	98.04	93.26	
Fixed Interest	115.90	115.79	115.65	115.42	115.32	108.32	115.90	108.57	
Basis 100 Government Securities 15/1/2026 Fixed Interest 1993									
For 1993 Government Securities high yield component 1993/4/10/1993, low 4/18/1993									
Fixed interest rates component 1993/4/10/1993, low 4/18/1993									

GILT-EDGED ACTIVITY

Indicators	July 5	July 2	July 1	June 30	June 29
Gilt-Edged Securities	95.8	96.2	121.6	119.5	103.8
5-Day average	107.8	108.2	108.7	108.6	104.0
SE activity indices released 1974					

mood, with longer-dated prices posting solid gains.

By midday, the benchmark 30-year government bond was up 1% at 106.1, yielding 6.61 per cent. At the short end of the market, the two-year note was slightly weaker, down 1% at 100.1, to yield 3.926 per cent.

Treasuries offered firmer, buyout by overnight buying in foreign markets and by reports in the US that the Federal Reserve, in the wake of last week's unexpected poor employment figures, is ready to return the bias on its monetary policy to a neutral stance, away from the tightening bias

adopted two months ago.

In late morning trading, however, shorter-dated securities fell back from their early gains, as a slight surge in commodity prices prompted selling at the short end.

■ JAPANESE government bonds were steady, while futures ended higher on continued hopes of a credit easing and an absence of active sellers, Reuter reports from Tokyo.

■ Technical difficulties have prevented publication today of the Benchmark Government Bonds table.

Portugal ready to woo investors from abroad

PORTUGAL'S move to

issue longer-dated government bonds marks its desire to encourage more overseas investors. It comes as recession is beginning to bite and economists expect the budget deficit to rise. The country can now plan debt and compete for loans on an equal footing with its EC partners.

Securities houses taking up large blocks of two and three-year paper and investors taking profits from Spain to plunge them into Portugal.

Securities houses first began to dip their toes into the market last year after interest rates began falling in response to lower inflation (since the last devaluation on May 13, short-term interest rates have fallen by 6.75 points to 10.25 per cent), the escudo's entry in April last year to the European exchange rate mechanism and the complete liberalisation of capital movements.

However, there are still very few securities houses which are heavily involved in the Portuguese bond market partly because of the illiquid nature of the market and also because of the tax problems.

On the tax front, domestic fixed rate bonds - the Obligacões do Tesouro or Ots - are not traded through the leading European settlement houses and have to be held by a Portuguese depository. Withholding tax of 20 per cent is payable and although dual taxation treaties bring the rate down to 10 per cent for a number of countries it can take months to get the rebate.

Nevertheless, Mr Andrew Roberts, bond analyst at UBS, says there is a possibility that the withholding tax might be scrapped. That possibility and the trend of increasingly lower interest rates is generating interest.

And Mr Steve Major, a Portuguese bond specialist with Crédit Lyonnais, which is a primary dealer with a big operation in Lisbon, says: "Portugal has lagged Spain because of lingering currency concerns but the big picture story of a weakening D-Mark reduces the cross currency risk of holding high yield bonds."

Ssangyong Oil issue leads invasion from Far East

By Sara Webb

A SPATE of Far Eastern equity-linked deals amounting to \$650m in new issuance hit the international bond markets yesterday. The deals consisted of a large Korean convertible bond issue and two more bonds with warrants from Japanese corporates.

INTERNATIONAL BONDS

Ssangyong Oil Refining, Korea's third-largest oil refiner, made its debut in the international capital markets with the launch of a \$150m convertible bond with a 15-year maturity. Paribas Capital Markets, book-runner for the deal, said this was the largest Korean convertible bond issue to date.

Equity-linked specialists said the deal had a "fairly rapturous" response, given that foreign investors are finding it hard to buy some Korean bonds.

Although the Korean stock market has been opened up to

overseas investors, there are strict limits on foreign ownership.

Ssangyong Oil Refining, which has an equity stake in the Kingdom of Saudi Arabia's Aramco, has already reached its foreign ownership limit, so the convertible bond offers overseas investors the only means of buying into the company, dealers said.

Paribas Capital Markets said the bonds were convertible into non-voting shares, which currently trade at a discount of about 4.5 per cent to the voting shares. The indicated conversion premium, which will be set on July 8, is likely to be between 5 per cent and 10 per cent to the price of the voting shares. The coupon will be set at between 3.75 per cent and 4.25 per cent.

"The deal did very well, reflecting the scarcity of Korean convertible paper," said one rival house. Demand from Switzerland and the UK was strong.

Two more Japanese names came to the market yesterday, as expected, issuing bonds with warrants. Bacardi-Martini

issued a \$300m, four-year deal, while Sumitomo Cement launched a \$200m, four-year deal - coming only one day after a chunky \$480m issue from Suntory Transportation.

Dealers had voiced concern about the market's ability to absorb the large volume of deals expected from Japanese borrowers, especially since investor interest is muted ahead of the Japanese election.

Nikko Europe, which was lead manager for the NGK Insulators deal, said the warrants traded in a range of 13% to 14% on the bid side, while Nomura International, lead manager for the Sumitomo Cement deal, said those warrants traded at 13%.

Technically, they are pretty cheap, reflecting the relatively low investor interest," said one dealer.

Outside the equity-linked sector, the international bond market saw a handful of new issues. Bacardi-Martini

launched its first Eurobond issue, a \$200m, five-year deal with a 5.75 per cent coupon.

Finance launched its first Eurobond issue, a \$200m, five-year deal with a 5.75 per cent coupon.

amounting to about \$450m, and expects to arrange additional financing in the form of a syndicated loan.

Last September, Bacardi, the Bermuda-based international rum company, paid over \$1.5bn for a majority stake in Martini Rossi, the Italian vermouth and wines group. Yesterday's bond issue is aimed at providing the capital to refinance bridging loans to finance the deal.

The Kingdom of Sweden yesterday joined the steady stream of borrowers to tap the Eurobonds market with a L250bn, 10-year deal carrying a coupon of 9.75 per cent. The bonds were reoffered at 99.375 per cent to yield 9.85 per cent.

Deutsche Bank London, which lead managed the deal, said the aim was to draw more institutional investors into the Eurobonds market, an area which traditionally has been dominated by retail investors.

"Sweden is well-known among institutional investors," said Deutsche Bank, claiming that some 55 per cent of the bonds were sold to institutional investors.

MARKET STATISTICS

RISES AND FALLS YESTERDAY

■ LONDON RECENT ISSUES

EQUITIES

■ FIXED INTEREST STOCKS

■ RIGHTS OFFERS

■ TRADITIONAL OPTIONS

■ FT-SE ACTUARIES INDICES

LFFE EQUITY OPTIONS

■ CALLS

■ PUTS

COMPANY NEWS: UK

Lonrho recruits Capel to rebuild bridges

By Roland Rudd

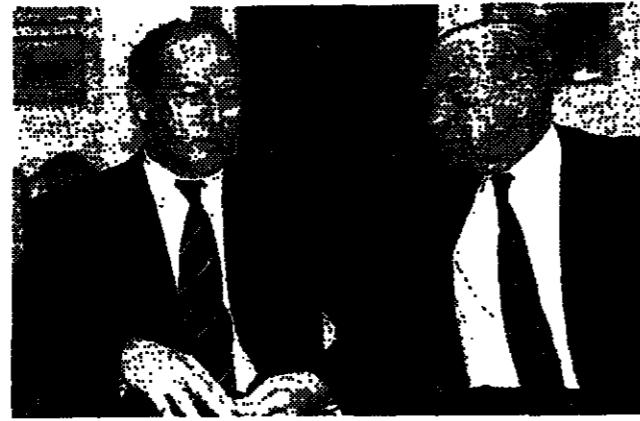
LONRHO, the international trading conglomerate, has recruited James Capel as its joint stockbroker to rebuild bridges with institutional investors.

Lonrho's financial advisers see the move as part of a campaign by Mr Dieter Bock, joint chief executive with Mr Tiny Rowland, to establish better relations with fund managers. Institutional shareholders, disenchanted with the group's performance, had been heavy sellers during the last few years before Mr Bock's investment.

Mr Andrew Skinner, director of James Capel, said it had been chosen because of its strong relationship with institutions. Société Générale Strauss-Turnbull Securities will continue to act as joint broker.

Lonrho has dismissed as "speculation" reports that its efforts to seek a rapprochement with the City are part of a longer-term goal of seeking new funds via a rights issue. The group's shares yesterday rose 2p to £26.

Capel's appointment comes more than a year after UBS, which had been the main marketmaker in Lonrho shares,



Trevor Humphries

resigned in protest at Lonrho's lack of consultation over its big deals.

UBS was particularly irritated by the group's failure to tell it of its decision to sell a third of its holding in Metro-Pole Hotels to the Libyan government-controlled Libyan Arab Finance Company for £177m.

It is understood that James Capel has been assured that it will be notified of the group's strategy before it is carried out.

In a separate move Krupp, Germany's diversified steel

Britton to pay £32m for Taco

By Roland Rudd

BRITTON GROUP, the packaging company formed last October after the acquisition by Firstland Group of Gel-pack Industrial, is to treble its size with the takeover of Taco, a privately owned polythene maker, for £31.6m in cash and shares.

Britton shares were suspended at 13 1/4p. It is raising £33m via a £16m placing with institutions, a 1-for-1 rights issue at 10p raising £13.2m, and an intermediaries offer to raise a further £4.7m.

The group recently reported a pre-tax loss of £2.32m for 1992. Mr Simon Beart, finance director, said this was due to withdrawing from oil and gas. Gel-pack has sales of £13m and an operating profit of £1.4m.

"The enlarged group will be the second largest extruder of polythene film in the UK. We are now a substantial player with an unexpired balance sheet," he said.

All the company's existing shareholders, which include Mercury Asset Management with 17 per cent and Royal Insurance with 9 per cent, are taking up their rights. Mr Beart said 10 new institutions had been brought on board to widen the ownership of the enlarged group.

The acquisition of Taco includes £5.4m of debt. If Taco achieves profits before tax and interest of £5.1m in the year to April 30 1994, the vendors will receive another £5.5m.

In the year ended April 30 1993, Taco reported sales of £28.6m and profits before tax, interest and non-recurring costs of £4.4m.

Britton's shares will be listed on August 2 if shareholders approve the deal at an EGM on July 29.

Sterling Publishing advances to £5.3m

By Catherine Milton

STERLING Publishing Group reported pre-tax profits of £5.31m for the year to end-March as new accounting rules forced the company to restate last year's results as an £8.09m loss.

Adopting FRS 3, the publisher of advertising-financial reports restated the 1992 figures from a pre-tax profit of £2.65m by reclassifying extraordinary provisions as exceptional charges. The provisions allowed for disposals following an abortive diversification as well as a £1.7m write-down of intangible assets.

Operating profits rose to £6.56m against a restated £1.52m as turnover rose to £42m (£41.6m), including £7.63m from discontinued operations. The company added 18 new titles in its core trading subsidiaries, Sterling Publications and Cornhill Publications.

Ms Clare Whitley, finance director, said advertising rates

Andrew Knight's trusts sell half News Corp stake

By Paul Taylor

TWO FAMILY trusts of Mr Andrew Knight, executive chairman of News International, have sold more than half their stake in Mr Rupert Murdoch's News Corporation, the newspaper publishing group's parent company.

News Corp said yesterday that the trusts, Blomfield Trustees (Jersey) and Ernst & Young Trustees of which Mr Knight is a beneficiary, had sold a total of 3.33m shares in two tranches on July 1 and July 2 at an undisclosed price.

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A complex deal to secure the future

Vanessa Houlder reports on the rescue package agreed with Postel for Greycoat

POSTEL's proposed rescue package for Greycoat is a complicated deal involving a placing, an issue of warrants, two rights issues, a property sale and the restructuring of two bonds.

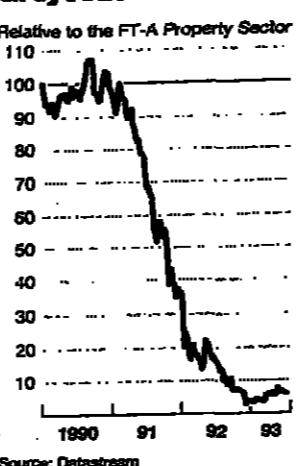
The complexity of this refinancing mirrors the traditionally complex nature of Greycoat's funding arrangements. Until recently, Greycoat prided itself on the sophistication of its finances as much as the quality of its buildings.

Greycoat stood out among property companies for its innovative, carefully structured funding arrangements. It used deep discount bonds to defer interest payments during the early years of a development's life. It was confident that rents would increase sufficiently to provide the income to pay the increased interest bill when it fell due.

But the collapse in property values undermined its assumptions. It became increasingly clear that it would have problems repaying a £50m zero coupon bond in 1995 and paying an additional £9.375m annual interest to holders of stepped interest bonds from September 1996.

Greycoat's increasingly parlous financial position forced it to sell property in an attempt to reduce gearing. In the past year it sold £197m of properties, often below their March

Greycoat



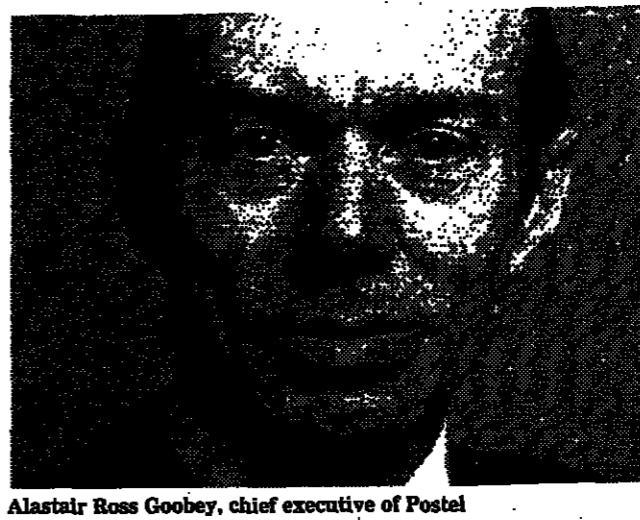
Source: Datastream

1992 valuations.

This effort to reduce its gearing did not go far enough. Greycoat said yesterday that if Postel's proposals were not approved "there is a risk that at any early stage the group would face serious difficulties which would jeopardise its future."

If the company went into administration, its value would be diminished by the need to sell properties on a forced sale basis, the cost of unwinding long-term finance and the acceleration of the repayment to bondholders.

Payments to unsecured credi-



Alastair Ross Goobey, chief executive of Postel

itors "would be seriously at risk and, therefore, there would be no surplus available for distribution to either preference or ordinary shareholders," it said.

The deal proposed by Postel involves sharing the pain between shareholders, bondholders and preference shareholders.

Under the deal, Postel will underwrite a 4-for-1 rights issue at 12 1/4p per share to raise £5.8m.

It will also underwrite a further rights issue of one new ordinary share for each exist-

ing preference share at 12 1/4p to raise £6.25m.

The deal also involves Greycoat placing 30m shares with Postel at 15p per share to raise £4.5m; Postel receiving 37.5m warrants convertible into ordinary shares in Greycoat at any time up to 2000 at 25p per share.

In addition, Greycoat will

buy a property called Hill House from Postel for £28.5m in the form of 125m 9 per cent cumulative redeemable preference shares 2014 of £0.40 and a cash payment of £2.5m. Greycoat needs to win approval from its bondholders to defer

its obligation to pay the £30m zero coupon bond due in 1995. It proposes exchanging these bonds for £20m 7.5 per cent bonds due 2003, secured on Hill House.

Greycoat has also proposed that the holders of the £150m Britannic Bond pass control of Britannic House to a new non-recourse vehicle, subject to option that Greycoat can buy back the property at any time prior to April 2002.

Bondholders will be asked to defer any shortfall in interest for three years to 2002.

Greycoat is also asking its preference shareholders to waive their accumulated dividends and reduce the nominal value of their shares from 100p to 40p and reduce the coupon from 9.5 per cent to 9 per cent.

The deal is subject to approval by Greycoat's shareholders, lending bankers, bondholders and preference shareholders as well as the Stock Exchange and the Takeover Panel.

City analysts were divided yesterday on whether to recommend shareholders to take up their rights. Many said no decision should be taken until the company publishes its results, together with a detailed circular on the deal, in six weeks time.

Sims Food runs up deficit of £586,000

By Peter Pearce

AS HAD been prefigured almost a month ago Sims Food Group, the meat processor and supplier, fell into the red in the year to March 31 after a non-recurring exceptional provision of £5.55m.

From pre-tax profits of £6.4m restated for FRS 3, the group fell to losses of £566,000. Turnover rose to £312.7m (£251.4m), an advance of 24 per cent, though Sims said, stripping out the effect of acquisitions, that there had been an

underlying organic growth of 9 per cent.

Mr David Brady, finance director, said this was "encouraging", given overall static meat prices over the year.

Interest payable grew to £2.21m (£1.68m).

Mr Brady said that behind the exceptional charge - to cover the write-off of underutilised equipment for storing meat under pressure, the clearing of the non-core Country Feast and J Redmond, and the restructuring and reduction of the catering and retail divi-

sions - to more accurately reflect lower demand - lay badly eroded margins.

Part of the problem was that Sims had outlaid EC-driven capital expenditure more quickly than turned out to be necessary because a three-year period of grace had been granted.

Further, the devaluation of

"green rates of currency" more directly with market rates led eventually to shortage-driven price rises, only part of which the supermarkets helped absorb. Mr Brady said that all the bad news was in these figures, though prices were unlikely to fall much within the next two years.

Sims commands some 40 per cent of the fast-food hamburger market and is the second biggest supplier of fresh meat to the catering trade.

Earnings per share last time of 15.9p were turned into losses of 5p. However, again as forewarned in June, the final dividend is reduced to 4.5p (£8.25p), resulting in a total of 7.5p (11.25p) for the year.

The deal would add 550 pubs to Greenall's present estate of 1,450, and the offer document identifies areas where cost savings are expected to be made.

These include economies of scale and improved overhead absorption resulting from the elimination of duplicated costs and the potential for Stretton Leisure, Greenall's machine distribution company, to supply amusement, games and music machines to the Devenish pubs.

Reflecting a slightly more bullish appraisal of trading prospects Greenall's is now predicting that, after taking into account the savings, the acquisition of Devenish will be non-dilutive in the first full year.

Heavy trading in Celsis shares

By Richard Gourlay

Shares in Celsis ended their first day of trading yesterday up just 1p from the issue price of 100p after touching 117p in heavy trading.

The company hopes to replace the laboratory agar plate with a faster method of detecting microbial contamination, but is still developing its product.

The intermediaries offer part of the new issue was nearly four times subscribed with applications for 27m shares chosing 7m shares on offer.

Investors will have allocated half what they applied for up to 10,000 shares; 30 per cent for additional shares up to 440,000; and about 16.66 per cent of the number of shares applied for over and above that.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - pending	Total for last year
Asprey S	4	Aug 16	3.75	5.1
Avesco	n/a	-	n/a	0.5
Colefax & Fowler	0.5	Oct 1	1.3	2.8
Dentac Inv Tel	4.575	Aug 31	4.575	7.95
Evans of Leeds	4.5	Oct 14	3	8
Evens of Leeds	3.4	Aug 20	2.85	4.57
Farapak S	4.1	Oct 1	3.5	5.7
Howden	1.45	Oct 1	1.45	5.4
Midlands Elect	4.65	Oct 1	11.6	22
P&P	0.8	Oct 4	0.7	1.4
Sims Food	4.5	Oct 1	8.25	7.5
Sterling Pub S	2.4	Nov 8	2	2.5
Stile	8.2	-	7.6	10.81

Dividends shown per share net except where otherwise stated. *On increased capital. Sums stock.

EVANS OF LEEDS PLC

PROPERTY INVESTMENT AND DEVELOPMENT

- Pre-tax profit up to £8.786 million (£8.523 million)
- Final dividend up to 3.14p (2.85p)
- Total Property Portfolio £206.4 million
- Net assets per 25p share 196p (201p)
- Current Rental Income £20.2 million (19.0 million)

Year to 31st March 1993 1992

Profit on ordinary activities after tax £27.530m £27.027m

Shareholders' funds £122.5

COMPANY NEWS: UK

Howden to spend £15m to diversify fan side

By Andrew Bolger

HOWDEN GROUP will spend £15m on restructuring the fan manufacturers which it has bought in an attempt to diversify out of large-scale contracting work.

A total of £40m has recently been spent in acquiring Novenco, a Danish maker of industrial fans, and Buffalo Forge, a US fan and air-handling business. About 400 jobs will be shed in the US, and 250 from the enlarged group's European fan division.

These substantial balance sheet provisions were revealed yesterday when the group reported an increase in pre-tax profits from £18.1m to £18.5m over the year ended May 3 1993. Sales rose from £292.3m to £335m.

Profits were reduced by an exceptional charge of £2.45m after the final settlement of a dispute over tunnelling machines which the group supplied to Denmark. This ended a bitter wrangle which caused Howden heavy losses

and a crash in its share price in 1990.

Mr John Jackson, chairman, said Howden's prime objective was to complete the successful integration of the past year's acquisitions, particularly in North America.

Order intake totalled £266m (£278m) which was "satisfactory" in current circumstances.

During the year management had responded to a more competitive environment by cutting costs, and the overall workforce fell by 10 per cent to about 4,500, excluding the Buffalo acquisition.

Mr Johnny Johnsen, chief executive, said he hoped to move away from Howden's traditional contract business of supplying specialised fans for power stations, which came through erratically.

Instead, he wanted to focus on smaller industrial fans, which yielded higher profit margins.

He said business was flat in the UK and Europe, but recovery was firmly established in the US. He saw the greatest

new opportunities in south-east Asia and the group was in talks about setting up a joint venture in China.

Earnings per share came to 6p (5.5p). A final dividend of 1.45p on increased capital gives a total for the year of 2.2p (2p).

COMMENT

Having finally got out of the hole represented by the Danish tunnelling contract, Howden still has its work cut out. The group issued 62m shares in the last year to fund acquisitions, and analysts estimate that pre-tax profits will have to increase from £18.5m to £23m just to avoid dilution of earnings.

Focusing on smaller fans seems plausible, but the group makes no bones that the trading outlook is tough - particularly in Europe and the UK. Institutional investors have supported the cash calls and the shares have risen from 3p on October 1 to close unchanged at 7.5p yesterday. They are unlikely to advance further until the success of new strategy becomes clearer.

Registered interest in BT sale disappoints

By Roland Rudd

THE NUMBER of registrations in the sale of the government's remaining holding in British Telecommunications remains well below the number in the last sale of BT shares.

The Treasury yesterday announced that after 600,000 new registrations in the last week the total number had risen to 5.2m, compared with 5.25m in 1991.

However, 2.4m individuals, being qualifying BT shareholders and eligible BT employees, were automatically registered compared with 1.1m last time.

"After excluding those automatically registered the figures are really quite disappointing," said one telecommunications analyst.

Of those registering, 2m chose to go through one of the share shops with 1.4m registering with the Share Information Office. Applications through most share shops close July 12 and the public offer in the UK closes July 14.

Trading in the new shares starts July 19.

Mr Stephen Dorrell, financial secretary to the Treasury, said he believed the result showed that BT3 was on course for success.

Those applying through share shops will get a greater allocation of shares than applicants through the information office, if there is a big demand.

UK private investors will receive discounts of 10p on all three instalments. The overall price, which will determine the sum payable in the third instalment, is to be determined by the bids for shares made by the institutions after the book building exercise gets under way tomorrow.

Cost controls and improved margins help Eurotherm advance to £9m

By Paul Taylor

EUROTHERM, the industrial process control equipment supplier, reported a 37 per cent increase in interim profits, reflecting cost cutting measures, improved margins and the positive impact of sterling's devaluation.

Pre-tax profits increased to £9.1m in the six months to April 30, against £6.71m last time, while turnover expanded a modest 3.8 per cent to £21m (£78.1m) reflecting the "patchy" state of the world economy, with few countries showing strong recovery signs.

Mr Jack Leonard, chairman, said the group had been doing "rather well in adverse conditions," and had concentrated on restoring profitability and generating cash over the past 18 months.

Provided there is no marked

deterioration in international trading conditions in the second half he expects the group to achieve a "significant" full-year profit improvement.

Tight control on costs, including a further reduction in the workforce from 2,150 at the end of October to 2,080 at the period-end, helped boost operating profits by 27 per cent to £9.27m.

With almost 80 per cent of turnover coming from outside the UK, sterling's devaluation has significantly improved competitiveness. Sales are

Earnings per share jumped 37 per cent to 13.67p (9.97p) and the interim dividend is lifted to 3.5p (3p).

Net interest charges dropped

£81,000 (£50,000) reflecting

the reduction in net borrowings made possible by strong cash generation.

Borrowings fell from £7.4m

at the end of October to

£1.8m and gearing dropped

from 12.9 per cent to 2.9 per cent.

Looking ahead Mr Leonard said that having strengthened profitability and the financial position of the company "our next priority is to ensure a resumption of sales growth."

Provided there is no marked deterioration in international trading conditions in the second half he expects the group to achieve a "significant" full-year profit improvement.

Lower in Germany where the group has a relatively small presence, but are holding up elsewhere in continental Europe and growing strongly in the US. The one blackspot is the process automation business focused on the UK where customers are still postponing big investment projects. But

after cutting the cost base the group is well positioned to take advantage of any upturn.

Pre-tax profits this year should

reach £19.8m producing earnings per share of 30p. Based on yesterday's share price of 58p, up 3p, the shares are on a lofty

but well deserved prospective multiple of 19.7.



Jack Leonard: doing "rather well in adverse conditions"

Ted Galloway

lower in Germany where the group has a relatively small presence, but are holding up elsewhere in continental Europe and growing strongly in the US. The one blackspot is the process automation business focused on the UK where customers are still postponing big investment projects. But

after cutting the cost base the group is well positioned to take advantage of any upturn. Pre-tax profits this year should reach £19.8m producing earnings per share of 30p. Based on yesterday's share price of 58p, up 3p, the shares are on a lofty but well deserved prospective multiple of 19.7.

Avesco losses £0.2m below forecast

improve in the current year.

Turnover in 1992-93 expanded from £17.9m to £23.4m. To the operating loss of £140,000 (£1.52m) VideoLogic contributed £577,000 (£673,000), television products £558,000 (£709,000), and services division profit £1.65m (£1.64,000).

Discontinued activities accounted for losses of £5,000 (£20,000). Losses per share came to 2.2p (3.4p).

Fresh warning at Tomorrow's Leisure

By Chris Tigne

18p on the news.

TOMORROW'S LEISURE, the USM quoted hotels and leisure group, yesterday issued a second warning of losses for the year to March 31.

The group, which in March

said it was likely to incur a

pre-tax loss of more than £1m,

said the figure would be

"substantially in excess" of that

amount. The shares fell 3p to

under way tomorrow.

18p on the news.

The second warning is due

to a downward valuation

of assets, also announced

yesterday, reflecting current

market conditions. In 1991-92

the group made pre-tax profits

of £73,000.

Mr John Roberts, a former

director appointed chair-

man in February, has resigned.

Mr John Sanderson, the

founder, who stepped down as

chairman and managing direc-

tor in that reshuffle, has now

become executive chairman.

Mr Malcolm Powell has been

replaced as managing director

by Mr Stephen Lovell, a char-

tered accountant previously

with Coopers & Lybrand.

Mr Sanderson, whose family

has recently made a £250,000

loan to Tomorrow's Leisure,

said there had been differences

of opinion.

A final dividend of 4.1p

brings the total to 5.75p (5p).

Hamper side behind 14% rise at Farepak

By Gary Mead, Marketing Correspondent

Farepak, the USM-traded mail order distributor and food processor, achieved a 14 per cent rise in pre-tax profits to £25.51m in the year to April 30.

Turnover rose 12 per cent to £70.5m. The Christmas hamper mail order business lifted sales 15.5 per cent and the total number of agents rose 13 per cent to 55,000. This division provides the bulk of pre-tax profits.

The company was confident that its £8.5m investment in acquiring 20 year access to the mail order database of the Littlewoods Home Shopping Group and the acquisition of the Littlewoods Hamper Business in April this year meant that further strong growth was anticipated this year.

A final dividend of 4.1p brings the total to 5.75p (5p).

QATAR NATIONAL BANK

QATAR NATIONAL BANK

BALANCE SHEET

YEAR ENDED 31 DECEMBER 1992

ASSETS	1992	1991
Cash and short term funds	448,371	317,144
Deposits with banks and other financial institutions	4,303,500	3,943,298
Loans and advances to customers	9,388,959	8,743,580
Investments	383,105	169,533
Property and equipment	57,237	52,137
Other assets	245,228	327,447
Total Assets	14,826,400	13,553,144

LIABILITIES & SHAREHOLDERS' FUNDS

Due to banks and other financial institutions	3,530,429	1,686,572
Customers' deposits, provision for general banking risks	9,071,327	9,863,596
Other liabilities	274,796	301,949
Proposed dividends	66,150	56,700
12,942,702	11,908,817	

Shareholders' Funds

Share capital	283,500	189,000
Statutory reserve	283,500	189,000
General reserve	1,310,277	1,259,906
Retained earnings	6,421	6,421
Total shareholders' funds	1,833,698	1,644,327

Total Liabilities & Shareholders' Funds

Letters of credit, acceptances, guarantees & other obligations on behalf of customers

4,382,570 2,272,315

STATEMENT OF INCOME & RETAINED EARNINGS

YEAR ENDED 31 DECEMBER 1992

COMMODITIES AND AGRICULTURE

De Beers' diamond sales up by 42% in first half

By Kenneth Gooding,
Mining Correspondent

DIAMOND SALES by De Beers, the South African group which dominates the market, reached an unprecedented \$2.543bn in the first half of this year, 42 per cent above the depressed total for the first six months of 1992.

But the company cited several special factors which helped to boost sales and were "likely to prove transitory" and warned that "it would be unwise to look upon the increased level of sales for the first half as a reliable guide to 1993 as a whole".

Nevertheless, analysts suggested that even an average second-half performance would send De Beers' rough (uncut) diamond sales above the record \$4.17bn seen in 1988 and 1990.

"De Beers' market share must be as close to 100 per cent as it is ever likely to get," said Mr Steve Oke, analyst at the Smith New Court financial services group.

De Beers responded to the improvement by increasing its purchases from producers who belong to the cartel organised by its London-based Central Selling Organisation. In September the CSO told producers to cut deliveries by 25 per cent as it struggled to bring rough diamond supply and demand back into balance following a

huge surge in unofficial exports from Angola.

These "producer delivery entitlements" were raised to 80 per cent in May and yesterday went to 88 per cent. In February the CSO made its first price increase for three years, averaging a modest 1.5 per cent and concentrating mainly on stones above three carats in size. De Beers said the transitory elements in its first-half figures included:

- A relative lack of uncut stones from Angola and Zaire, both affected by severe political disruption;

- A shortage of Russian polished diamonds in the first quarter (which analysts suggested was caused by bureaucratic bungling);

- Buoyant demand from India caused both by various budgetary incentives – including the increased convertibility of the Indian currency – and a rise in exports to the US.

- Restocking in the cutting centres and some consumer markets, particularly the US, the most important market for gem diamonds, where Christmas sales were up substantially both in volume and value terms.

De Beers said there had been some recent increase in diamonds from Angola, Zaire and Russia. The US government had sold \$77m worth of rough stones from its strategic stockpile and planned more sales later this year. The present market for polished diamonds was not as strong as that for rough stones and no dramatic improvement in retail sales could be expected until there was a resurgence of world economic activity, it added.

Mr Oke at Smith New Court suggested a great deal of De Beers' extra first-half sales came from re-stocking rather than any substantial improvement in retail diamond sales.

"The stones are in the pipeline. But if there is no real action to such them through, wholesale will sit tight and buy no more. But even an average second-half sale of \$1.7bn would take 1993 sales to \$4.2bn or \$4.3bn – a significant improvement on recent years."

Mr Michael Spriggs, analyst at the S.G. Warburg financial services group, said the figures pointed to a "welcome reduction in De Beers' diamond stockpile". The group might be able to restore the recent dividend cut as well as soon restore the offtake from producers to 100 per cent, he added.

The figures were only slightly ahead of many analysts' expectations and De Beers share price, which had risen by \$1.50 this week in anticipation of the announcement, was unchanged yesterday at \$18.10.

New York coffee prices surge higher

By David Blackwell

THE NEW YORK arabica coffee market, closed on Monday for Independence Day, surged ahead yesterday in reaction to the Latin American plan to retain 20 per cent of coffee exports from October 1.

The nearby July contract was up 5.50 cents a lb at \$9.05 cents a lb in late trading. Robusta coffee on the London Commodity Exchange followed New York upwards. The September contract added a fur-

ther \$24 to Monday's \$24 advance, closing at \$977 a tonne after touching a high of \$1,000 earlier in the day.

Ms Judy Ganes, analyst with Merrill Lynch in New York, said the move was purely psychological, pointing out that "the Latin American scheme does not address the problems of overproduction". Ms Ganes also believes that estimates of 20m bags (60 kg each) in consumer hands are grossly understated, and will rise further as producers take advan-

tage of higher prices. "Remember that this scheme will not kick in for another three months," she said.

Most of the drive behind the price rise was short-covering, which then triggered stop-loss buying orders and attracted further speculative and fund buying. But one London trader pointed out that coffee buyers had plenty of time to take the long view, and they will be waiting to see how the details of the Latin American scheme are worked out.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets):

ANTIMONY: European free market, 99.9% per cent, \$ per tonne, in warehouse, 1,540-1,580 (1,540-1,580).

BISMUTH: European free market, min. 99.9% per cent, \$ per lb, in nearby lots in warehouse, 2.25-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.44-0.50 (same).

COBALT: MB free market, 99.8 per cent, \$ per lb, in ware-

house, 12.30-13.35 (12.30-13.20); 99.3 per cent, \$ per lb, in warehouse, 9.50-10.30 (9.20-10.00).

MERCURY: European free market, min. 99.9% per cent, \$ per lb, in 76 lb flask, in warehouse, 115-135 (same).

MOLYBDENUM: European free market, drummed molybodic oxide, \$ per lb Mo, in warehouse, 2.25-2.30 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard European 65

per cent, \$ per tonne unit (10 kg) WO₃, cif, 27-39 (same).

Vanadium: European free market, min. 99.9% per cent, \$ per lb, cif, 1.30-1.40 (same).

URANIUM: Nucleo exchange value, \$ per lb, U₃O₈, 7.00 (7.10).

LIME WAREHOUSE STOCKS
(As at Monday's close)

tonnes

Aluminium +1,700

Copper -175

Lead +102

Zinc +7,975

Tin -105

20,365

house, 12.30-13.35 (12.30-13.20); 99.3 per cent, \$ per lb, in warehouse, 9.50-10.30 (9.20-10.00).

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark loses a little ground

THE D-MARK was a touch weaker against the dollar and European currencies yesterday following remarks from Mr Helmut Schlesinger, the outgoing Bundesbank President, that German inflation was slowly coming down, *writes James Blitz*.

But despite this, the market remained unsure about the prospects for further cuts in German interest rates. There was continuing concern that the French franc could come under pressure inside the European exchange rate mechanism if the Bundesbank does not reduce its official rates by $\frac{1}{4}$ percentage point either before or immediately after its summer recess.

The D-Mark weakened slightly against the dollar after Mr Helmut Schlesinger, the outgoing head of the German central bank, said on Monday night that west German inflation had come a "step closer" to meeting the Bundesbank's goal of 2 per cent.

Weak employment data continues to put a cap on the dollar, but the US currency closed $\frac{1}{4}$ a penny higher against the D-Mark in London yesterday at DM1.3900.

Sterling also continues to profit from the perception that

European interest rates are coming down while UK base rates have remained unchanged for nearly six months. The pound closed at DM2.5675, up $\frac{1}{4}$ a penny on the day. Mr Neil MacKinnon, chief currency strategist at Citibank, says the pound still has a strong upside, but this may be capped by the UK policy mix of low interest rates and tight fiscal consolidation which is not positive for currencies.

The French franc was also fractionally stronger against the D-Mark. After closing at FF13.3850 on Monday night, the franc yesterday finished trading at FF13.3910.

However, the franc is becoming a focus of attention in the markets. The key issue facing the currency is whether the Bundesbank delays implementation of another cut.

The French authorities have had some chance to "go it alone" in monetary policy in

Lombard rate on July 29.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu	Country	Change from Central Rate	% Spread from Central Rate	Divergence Indicator
Portuguese Escudo	1,050.6	1,050.6	-0.40	0.02	57
Spanish Peseta	1,071.96	1,071.96	-0.49	0.45	51
Irish Punt	1,095.00	1,095.00	-0.49	1.94	37
Dutch Guilder	2,192.05	2,192.05	0.24	1.21	2
French Franc	4,982.00	4,982.00	-0.24	0.48	11
D-Mark	1,349.64	1,349.64	0.54	0.98	-11
Dutch Franc	7,437.97	7,437.97	1.42	0.02	-48
Euro	6,538.00	6,538.00	1.42	0.02	-48

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WORLD STOCK MARKETS

AUSTRALIA

July 6

Stock

High

Low

Close Day

Open

Change

Volume

Market

Value

Turnover

Price

P/E

EPS

Div

EPS

4 pm close July 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Symbol	Name	Price	Change	Volume	Open	High	Low
1105	High Low Stock	74.77	0.00	20	74.77	74.77	74.77
1117	AM Corp	0.48	0.00	20	0.48	0.48	0.48
1120	AM Int A	1.08	0.00	27	1.08	1.08	1.08
1123	AM Int B	1.60	0.00	20	1.60	1.60	1.60
1124	AM Int C	1.60	0.00	20	1.60	1.60	1.60
1125	AM Int D	1.60	0.00	20	1.60	1.60	1.60
1126	AM Int E	1.60	0.00	20	1.60	1.60	1.60
1127	AM Int F	1.60	0.00	20	1.60	1.60	1.60
1128	AM Int G	1.60	0.00	20	1.60	1.60	1.60
1129	AM Int H	1.60	0.00	20	1.60	1.60	1.60
1130	AM Int I	1.60	0.00	20	1.60	1.60	1.60
1131	AM Int J	1.60	0.00	20	1.60	1.60	1.60
1132	AM Int K	1.60	0.00	20	1.60	1.60	1.60
1133	AM Int L	1.60	0.00	20	1.60	1.60	1.60
1134	AM Int M	1.60	0.00	20	1.60	1.60	1.60
1135	AM Int N	1.60	0.00	20	1.60	1.60	1.60
1136	AM Int O	1.60	0.00	20	1.60	1.60	1.60
1137	AM Int P	1.60	0.00	20	1.60	1.60	1.60
1138	AM Int Q	1.60	0.00	20	1.60	1.60	1.60
1139	AM Int R	1.60	0.00	20	1.60	1.60	1.60
1140	AM Int S	1.60	0.00	20	1.60	1.60	1.60
1141	AM Int T	1.60	0.00	20	1.60	1.60	1.60
1142	AM Int U	1.60	0.00	20	1.60	1.60	1.60
1143	AM Int V	1.60	0.00	20	1.60	1.60	1.60
1144	AM Int W	1.60	0.00	20	1.60	1.60	1.60
1145	AM Int X	1.60	0.00	20	1.60	1.60	1.60
1146	AM Int Y	1.60	0.00	20	1.60	1.60	1.60
1147	AM Int Z	1.60	0.00	20	1.60	1.60	1.60
1148	AM Int AA	1.60	0.00	20	1.60	1.60	1.60
1149	AM Int BB	1.60	0.00	20	1.60	1.60	1.60
1150	AM Int CC	1.60	0.00	20	1.60	1.60	1.60
1151	AM Int DD	1.60	0.00	20	1.60	1.60	1.60
1152	AM Int EE	1.60	0.00	20	1.60	1.60	1.60
1153	AM Int FF	1.60	0.00	20	1.60	1.60	1.60
1154	AM Int GG	1.60	0.00	20	1.60	1.60	1.60
1155	AM Int HH	1.60	0.00	20	1.60	1.60	1.60
1156	AM Int II	1.60	0.00	20	1.60	1.60	1.60
1157	AM Int JJ	1.60	0.00	20	1.60	1.60	1.60
1158	AM Int KK	1.60	0.00	20	1.60	1.60	1.60
1159	AM Int LL	1.60	0.00	20	1.60	1.60	1.60
1160	AM Int MM	1.60	0.00	20	1.60	1.60	1.60
1161	AM Int NN	1.60	0.00	20	1.60	1.60	1.60
1162	AM Int OO	1.60	0.00	20	1.60	1.60	1.60
1163	AM Int PP	1.60	0.00	20	1.60	1.60	1.60
1164	AM Int QQ	1.60	0.00	20	1.60	1.60	1.60
1165	AM Int RR	1.60	0.00	20	1.60	1.60	1.60
1166	AM Int SS	1.60	0.00	20	1.60	1.60	1.60
1167	AM Int TT	1.60	0.00	20	1.60	1.60	1.60
1168	AM Int UU	1.60	0.00	20	1.60	1.60	1.60
1169	AM Int VV	1.60	0.00	20	1.60	1.60	1.60
1170	AM Int WW	1.60	0.00	20	1.60	1.60	1.60
1171	AM Int XX	1.60	0.00	20	1.60	1.60	1.60
1172	AM Int YY	1.60	0.00	20	1.60	1.60	1.60
1173	AM Int ZZ	1.60	0.00	20	1.60	1.60	1.60
1174	AM Int AA	1.60	0.00	20	1.60	1.60	1.60
1175	AM Int BB	1.60	0.00	20	1.60	1.60	1.60
1176	AM Int CC	1.60	0.00	20	1.60	1.60	1.60
1177	AM Int DD	1.60	0.00	20	1.60	1.60	1.60
1178	AM Int EE	1.60	0.00	20	1.60	1.60	1.60
1179	AM Int FF	1.60	0.00	20	1.60	1.60	1.60
1180	AM Int GG	1.60	0.00	20	1.60	1.60	1.60
1181	AM Int HH	1.60	0.00	20	1.60	1.60	1.60
1182	AM Int II	1.60	0.00	20	1.60	1.60	1.60
1183	AM Int JJ	1.60	0.00	20	1.60	1.60	1.60
1184	AM Int KK	1.60	0.00	20	1.60	1.60	1.60
1185	AM Int LL	1.60	0.00	20	1.60	1.60	1.60
1186	AM Int MM	1.60	0.00	20	1.60	1.60	1.60
1187	AM Int NN	1.60	0.00	20	1.60	1.60	1.60
1188	AM Int OO	1.60	0.00	20	1.60	1.60	1.60
1189	AM Int PP	1.60	0.00	20	1.60	1.60	1.60
1190	AM Int QQ	1.60	0.00	20	1.60	1.60	1.60
1191	AM Int RR	1.60	0.00	20	1.60	1.60	1.60
1192	AM Int SS	1.60	0.00	20	1.60	1.60	1.60
1193	AM Int TT	1.60	0.00	20	1.60	1.60	1.60
1194	AM Int UU	1.60	0.00	20	1.60	1.60	1.60
1195	AM Int VV	1.60	0.00	20	1.60	1.60	1.60
1196	AM Int WW	1.60	0.00	20	1.60	1.60	1.60
1197	AM Int XX	1.60	0.00	20	1.60	1.60	1.60
1198	AM Int YY	1.60	0.00	20	1.60	1.60	1.60
1199	AM Int ZZ	1.60	0.00	20	1.60	1.60	1.60
1200	AM Int AA	1.60	0.00	20	1.60	1.60	1.60
1201	AM Int BB	1.60	0.00	20	1.60	1.60	1.60
1202	AM Int CC	1.60	0.00	20	1.60	1.60	1.60
1203	AM Int DD	1.60	0.00	20	1.60	1.60	1.60
1204	AM Int EE	1.60	0.00	20	1.60	1.60	1.60
1205	AM Int FF	1.60	0.00	20	1.60	1.60	1.60
1206	AM Int GG	1.60	0.00	20	1.60	1.60	1.60
1207	AM Int HH	1.60	0.00	20	1.60	1.60	1.60
1208	AM Int II	1.60	0.00	20	1.60	1.60	1.60
1209	AM Int JJ	1.60	0.00	20	1.60	1.60	1.60
1210	AM Int KK	1.60	0.00	20	1.60	1.60	1.60
1211	AM Int LL	1.60	0.00	20	1.60	1.60	1.60
1212	AM Int MM	1.60	0.00	20	1.60	1.60	1.60
1213	AM Int NN	1.60	0.00	20	1.60	1.60	1.60
1214	AM Int OO	1.60	0.00	20	1.60	1.60	1.60
1215	AM Int PP	1.60	0.00	20	1.60	1.60	1.60
1216	AM Int QQ	1.60	0.00	20	1.60	1.60	1.60
1217	AM Int RR	1.60	0.00	20	1.60	1.60	1.60
1218	AM Int SS	1.60	0.00	20	1.60	1.60	1.60
1219	AM Int TT	1.60	0.00	20	1.60	1.60	1.60
1220	AM Int UU</td						

1983
High Low Stock Div % E 1983

1983																		
High	Low	Stock	Div	%	Y	W	St	1982	High	Low	Stock	Div	%	Y	W	St	1982	
Continued from previous page																		
- \$ -																		
22 154- S Acta Rx	1.36	7.5 17	47	181 ^a	181 ^a	181 ^a	181 ^a		181 ^a	181 ^a	181 ^a							
204 184- SCOR US Cp	0.32	1.8206	5	16 ^a	16 ^a	16 ^a	16 ^a		16 ^a	16 ^a	16 ^a							
20 20 SPS Techn	1.28	4.8 18	88	27	25 ^a	25 ^a	25 ^a	25 ^a		25 ^a	25 ^a	25 ^a						
14- 12- Sitzers Rx	1.04	7.8 8	118	134 ^a	134 ^a	134 ^a	134 ^a		134 ^a	134 ^a	134 ^a							
134- 6- Sincard	0.29	1.5 12	242	134 ^a	134 ^a	134 ^a	134 ^a		134 ^a	134 ^a	134 ^a							
23- 18- Sinfoniet	0.36	2.1 23	688	175 ^a	175 ^a	175 ^a	175 ^a		175 ^a	175 ^a	175 ^a							
15- 10- Sinfoniet	0.24	223 ^a	155 ^a		155 ^a	155 ^a	155 ^a											
2- 2- Sinfoniet	0.05	117	31 ^a	34 ^a	34 ^a	34 ^a	34 ^a		34 ^a	34 ^a	34 ^a							
44- 37- Sinfoniet	0.20	0.5 94	44	293 ^a	303 ^a	303 ^a	303 ^a		303 ^a	303 ^a	303 ^a							
31- 31- Sinfoniet	1.76	5.0 13	4	35	34 ^a	34 ^a	34 ^a		34 ^a	34 ^a	34 ^a							
75- 75- St Paul's x	2.60	3.4 12	1854	83 ^a	83 ^a	83 ^a	83 ^a		83 ^a	83 ^a	83 ^a							
103- 73- Salan Cap	0.88	1.8 108	104 ^a		104 ^a	104 ^a	104 ^a											
75- 33- Saline Mills	1.20	2.8	8	1747	42 ^a	41 ^a	41 ^a		41 ^a	41 ^a	41 ^a							
13- 13- Salomon Fr	0.36	2.7	505	124 ^a	124 ^a	124 ^a	124 ^a		124 ^a	124 ^a	124 ^a							
47- 34- Salomon Fr	0.64	1.7 19	1080	354 ^a	354 ^a	354 ^a	354 ^a		354 ^a	354 ^a	354 ^a							
25- 23- SanDiego Gas	1.48	5.7 14	223	26 ^a	25 ^a	25 ^a	25 ^a		25 ^a	25 ^a	25 ^a							
117- 84- SantaFeEls	0.04	10.3193	83 ^a	4	37 ^a	37 ^a	37 ^a		37 ^a	37 ^a	37 ^a							
40- 35- SantaFeEls	0.16	1.7662	1242	52 ^a	52 ^a	52 ^a	52 ^a		52 ^a	52 ^a	52 ^a							
124 23- SantaFeEls	2.60	7.2 13	58	35 ^a	35 ^a	35 ^a	35 ^a		35 ^a	35 ^a	35 ^a							
31- 23- Santa Lee	0.58	2.4 17	4369	24 ^a	24 ^a	24 ^a	24 ^a		24 ^a	24 ^a	24 ^a							
40- 40- Santa Corp	2.74	5.7 15	183	47 ^a	47 ^a	47 ^a	47 ^a		47 ^a	47 ^a	47 ^a							
24- 21- Saseco	1.40	6.0 14	3399	24 ^a	24 ^a	24 ^a	24 ^a		24 ^a	24 ^a	24 ^a							
28- 23- Saseco	1.00	2.1 13	223	28 ^a	28 ^a	28 ^a	28 ^a		28 ^a	28 ^a	28 ^a							
59- 59- Schering	1.80	2.7 17	1333	67 ^a	67 ^a	67 ^a	67 ^a		67 ^a	67 ^a	67 ^a							
29- 16- Schering	1.20	1.9 23	3072	63 ^a	63 ^a	63 ^a	63 ^a		63 ^a	63 ^a	63 ^a							
74- 74- Schuster	0.20	0.7 18	1025	27 ^a	27 ^a	27 ^a	27 ^a		27 ^a	27 ^a	27 ^a							
35- 17- Schuster	0.12	0.4 50	744	32 ^a	31 ^a	31 ^a	31 ^a		31 ^a	31 ^a	31 ^a							
41 37- Schuster	0.60	2.5 16	1852	31 ^a	31 ^a	31 ^a	31 ^a		31 ^a	31 ^a	31 ^a							
30- 14- Schuster	0.21	1.1	79	19 ^a	19 ^a	19 ^a	19 ^a		19 ^a	19 ^a	19 ^a							
91- 12- Schuster	0.70	2.8	8	10	9 ^a	9 ^a	9 ^a		9 ^a	9 ^a	9 ^a							
30- 24- Schuster	0.56	2.1 17	2293	38 ^a	38 ^a	38 ^a	38 ^a		38 ^a	38 ^a	38 ^a							
28- 21- Sealed Ah	0.08	108	2972	29 ^a	29 ^a	29 ^a	29 ^a		29 ^a	29 ^a	29 ^a							
16- 16- SFR Corp	0.40	2.6 5	137	159	159	159	159		159	159	159							
58- 43- Sears Rose	1.90	2.9	711045	54 ^a	54 ^a	54 ^a	54 ^a		54 ^a	54 ^a	54 ^a							
12- 12- Seigna	0.84	83	380	13 ^a	13 ^a	13 ^a	13 ^a		13 ^a	13 ^a	13 ^a							
45- 30- Semco	0.30	0.8 26	2545	38 ^a	37 ^a	37 ^a	37 ^a		37 ^a	37 ^a	37 ^a							
18- 18- Sequa A	0.60	20 25	44	29 ^a	29 ^a	29 ^a	29 ^a		29 ^a	29 ^a	29 ^a							
34- 17- Sequa B	0.50	1.6 18	28	31 ^a	30 ^a	30 ^a	30 ^a		30 ^a	30 ^a	30 ^a							
17- 17- ServicesCp	0.40	1.9 18	666	20 ^a	20 ^a	20 ^a	20 ^a		20 ^a	20 ^a	20 ^a							
34- 17- ServicesCp	0.88	1.7 13	208	24 ^a	23 ^a	23 ^a	23 ^a		23 ^a	23 ^a	23 ^a							
25- 17- ShawInd	0.31	1.6 23	2265	34 ^a	33 ^a	33 ^a	33 ^a		33 ^a	33 ^a	33 ^a							
25- 17- ShawInd	0.46	1.7 38	1668	23 ^a	23 ^a	23 ^a	23 ^a		23 ^a	23 ^a	23 ^a							
14- 14- Shbly Wh	0.22	2.2 32	99	12 ^a	12 ^a	12 ^a	12 ^a		12 ^a	12 ^a	12 ^a							
34- 14- Shbly Wh	0.88	1.6 18	1442	32 ^a	31 ^a	31 ^a	31 ^a		31 ^a	31 ^a	31 ^a							
25- 16- Shbly Wh	0.50	1.6 18	1442	32 ^a	31 ^a	31 ^a	31 ^a		31 ^a	31 ^a	31 ^a							
15- 15- Shbly Wh	0.48	1.9 18	72	16 ^a	16 ^a	16 ^a	16 ^a		16 ^a	16 ^a	16 ^a							
30- 13- Showboat	0.10	0.5 15	358	19 ^a	19 ^a	19 ^a	19 ^a		19 ^a	19 ^a	19 ^a							
112- 8- Showboat	1.12	5.1 20	67	22 ^a	21 ^a	21 ^a	21 ^a		21 ^a	21 ^a	21 ^a							
8- 8- Showboat	4	4	4100	94 ^a	94 ^a	94 ^a	94 ^a		94 ^a	94 ^a	94 ^a							
160- 160- Showboat	1.60	2.7 13	10388	59 ^a	58 ^a	58 ^a	58 ^a		58 ^a	58 ^a	58 ^a							
22- 22- Showboat	0.24	34 2228	36	37 ^a	37 ^a	37 ^a	37 ^a		37 ^a	37 ^a	37 ^a							
54- 10- Shsle	1.04	7.2 26	153	142 ^a	142 ^a	142 ^a	142 ^a		142 ^a	142 ^a	142 ^a							
22- 23- Shsle	0.18	2.1 35	40	23 ^a	23 ^a	23 ^a	23 ^a		23 ^a	23 ^a	23 ^a							
4- 4- Shsle	0.48	1.9 18	48	48 ^a	48 ^a	48 ^a	48 ^a		48 ^a	48 ^a	48 ^a							
4- 3- Shsle	0.06	1.7 36	135	35 ^a	35 ^a	35 ^a	35 ^a		35 ^a	35 ^a	35 ^a							
74- 37- Shsle	0.20	4.0 26	156	5 ^a	5 ^a	5 ^a	5 ^a		5 ^a	5 ^a	5 ^a							
20- 20- Shsle	0.41	4.1 26	156	5 ^a	5 ^a	5 ^a	5 ^a		5 ^a	5 ^a	5 ^a							
19- 23- Shsle	0.30	2.8 18	20	24 ^a	24 ^a	24 ^a	24 ^a		24 ^a	24 ^a	24 ^a							
21- 21- Shsle	0.60	3.3 7	223	16 ^a	16 ^a	16 ^a	16 ^a		16 ^a	16 ^a	16 ^a							
20- 13- Shsle	0.32	1.7 23	25	26 ^a	19 ^a	19 ^a	19 ^a		19 ^a	19 ^a	19 ^a							
104- 18- Shsle	0.12	1.8 50	885	64 ^a	64 ^a	64 ^a	64 ^a		64 ^a	64 ^a	64 ^a							
64- 18- Shsle	0.64	1.8 15	407	58 ^a	58 ^a	58 ^a	58 ^a		58 ^a	58 ^a	58 ^a							
25- 25- Shsle	0.14	2.3 14	41	21 ^a	21 ^a	21 ^a	21 ^a		21 ^a	21 ^a	21 ^a							
26- 26- Shsle	1.04	3.4 13	171	22 ^a	22 ^a	22 ^a	22 ^a		22 ^a	22 ^a	22 ^a							
14- 39- Shsle	0.16	2.0 20	61	9 ^a	9 ^a	9 ^a	9 ^a		9 ^a	9 ^a	9 ^a							
14- 39- Shsle	0.16	2.0 20	61	7 ^a	7 ^a	7 ^a	7 ^a		7 ^a	7 ^a	7 ^a							
4- 4- Shsle	0.10	1.5 36	34	94 ^a	94 ^a	94 ^a	94 ^a		94 ^a	94 ^a	94 ^a							
57- 27- Shsle	0.16	0.3 34	373	357 ^a	357 ^a	357 ^a	357 ^a		357 ^a	357 ^a	357 ^a							
24- 24- Shsle	0.08	0.8 14	287	32 ^a	32 ^a	32 ^a	32 ^a		32 ^a	32 ^a </								

AMEX COMPOSITE PRICES

A non-classical R&B

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FINANCIAL TIMES

NASDAQ NATIONAL MARKET

4 pm close July 6

Stock	P	25	High	Low	Last	Chg	Stock	P	25	High	Low	Last	Chg	Stock	P	25	High	Low	Last	Chg
A																				
ABCB	26	18	18	17	17	-1	ABCB	26	18	18	17	17	-1	ABCB	26	18	18	17	17	-1
ABCBrands	0.32	15	17.3	17.3	17.3	-1	ABCBrands	0.32	15	17.3	17.3	17.3	-1	ABCBrands	0.32	15	17.3	17.3	17.3	-1
ABC Inds	21	223	131	12	12	-1	ABC Inds	21	223	131	12	12	-1	ABC Inds	0.56	18	152.6	27	27	-1
ACC Corp x	0.12	26	210	141	132	-1	ACC Corp x	0.12	26	210	141	132	-1	ACC Corp x	0.12	11	235	17.2	16.4	-1
Accelion E	41	5058	201	204	203	-1	Accelion E	41	5058	201	204	203	-1	Accelion E	0.56	18	152.6	27	27	-1
Acme Mills	40	115	17.4	17	17	-1	Acme Mills	40	115	17.4	17	17	-1	Acme Mills	0.56	18	152.6	27	27	-1
Acme Corp	23	15	17.3	17	17	-1	Acme Corp	23	15	17.3	17	17	-1	Acme Corp	0.56	18	152.6	27	27	-1
Adaptech	13	3312	221	22	22	-1	Adaptech	13	3312	221	22	22	-1	Adaptech	0.56	18	152.6	27	27	-1
ADC Tele	27	778	291	284	284	-1	ADC Tele	27	778	291	284	284	-1	ADC Tele	0.56	18	152.6	27	27	-1
Addition	39	497	14.3	14.3	14.3	-1	Addition	39	497	14.3	14.3	14.3	-1	Addition	0.56	18	152.6	27	27	-1
Adis Serv	0.16	18	54	221	204	-2	Adis Serv	0.16	18	54	221	204	-2	Adis Serv	0.56	18	152.6	27	27	-1
Adobe Sys x	0.40	2617948	571	552	554	-1	Adobe Sys x	0.40	2617948	571	552	554	-1	Adobe Sys x	0.56	18	152.6	27	27	-1
Advance C	10	180	12	114	114	-1	Advance C	10	180	12	114	114	-1	Advance C	0.56	18	152.6	27	27	-1
Adv Logic	13	142	35	35	35	-1	Adv Logic	13	142	35	35	35	-1	Adv Logic	0.56	18	152.6	27	27	-1
Adv Polym	14	188	82	84	84	-1	Adv Polym	14	188	82	84	84	-1	Adv Polym	0.56	18	152.6	27	27	-1
AdvTechLab	28	365	17.3	17	17	-1	AdvTechLab	28	365	17.3	17	17	-1	AdvTechLab	0.56	18	152.6	27	27	-1
Advanta	0.25	20	546	47	46	-1	Advanta	0.25	20	546	47	46	-1	Advanta	0.56	18	152.6	27	27	-1
Affymetx	15	255	151	104	104	-1	Affymetx	15	255	151	104	104	-1	Affymetx	0.56	18	152.6	27	27	-1
Agency Res	13	188	92	92	92	-1	Agency Res	13	188	92	92	92	-1	Agency Res	0.56	18	152.6	27	27	-1
AgileSoft	0.10	65	5441	113	13	-1	AgileSoft	0.10	65	5441	113	13	-1	AgileSoft	0.56	18	152.6	27	27	-1
Alcoa ADW	2.00	10	510	40	39	-1	Alcoa ADW	2.00	10	510	40	39	-1	Alcoa ADW	0.56	18	152.6	27	27	-1
Alcoa Co	88	1144	16	16	16	-1	Alcoa Co	88	1144	16	16	16	-1	Alcoa Co	0.56	18	152.6	27	27	-1
Alex Gold	0.06	14	634	202	20	-1	Alex Gold	0.06	14	634	202	20	-1	Alex Gold	0.56	18	152.6	27	27	-1
Allegion SW	15	250	92	92	92	-1	Allegion SW	15	250	92	92	92	-1	Allegion SW	0.56	18	152.6	27	27	-1
Allex Org	0.48	13	3	303	294	-2	Allex Org	0.48	13	3	303	294	-2	Allex Org	0.56	18	152.6	27	27	-1
Allen Phil	7	2563	111	10	10	-1	Allen Phil	7	2563	111	10	10	-1	Allen Phil	0.56	18	152.6	27	27	-1
AllenCapl	1.00	15	301	17.3	16.4	-1	AllenCapl	1.00	15	301	17.3	16.4	-1	AllenCapl	0.56	18	152.6	27	27	-1
Allen Capl	0.80	12	73	14	13	-1	Allen Capl	0.80	12	73	14	13	-1	Allen Capl	0.56	18	152.6	27	27	-1
Alta Gold	0.06	17	51	51	51	-1	Alta Gold	0.06	17	51	51	51	-1	Alta Gold	0.56	18	152.6	27	27	-1
Altera Co	41	1343	19	18.2	19	-1	Altera Co	41	1343	19	18.2	19	-1	Altera Co	0.56	18	152.6	27	27	-1
Alta Bank	0.80	10	514	27	27	-1	Alta Bank	0.80	10	514	27	27	-1	Alta Bank	0.56	18	152.6	27	27	-1
Altisys	17	621	18.7	17.5	17.5	-1	Altisys	17	621	18.7	17.5	17.5	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.32	34	138	72	72	-1	Altisys	0.32	34	138	72	72	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.46	388	20	18.2	18.2	-1	Altisys	0.46	388	20	18.2	18.2	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.10	17	2855	56	55	-1	Altisys	0.10	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
Altisys	0.04	17	2855	56	55	-1	Altisys	0.04	17	2855	56	55	-1	Altisys	0.56	18	152.6	27	27	-1
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AMERICA

Equities unsettled by US economic fears

Wall Street

ANOTHER rise in bond prices failed to lift US equity markets, which remained unsettled by the recent release of disappointing economic data, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was up 0.55 at 3,484.52. The more broadly based Standard & Poor's 500 was up 0.40 at 446.24, while the Amex composite was down 0.51 at 434.76, and the Nasdaq composite up 0.67 at 705.16. Trading volume on the NYSE was 125m shares by 1 pm.

Prices were trapped in a narrow trading range throughout the morning, never breaking more than a few points above or below opening values. Many investors and dealers were reluctant to trade equities because of doubts about the outlook for the economy and the approaching second quarter reporting season.

Even strong overseas stock markets, and another jump in bond prices, which sent the yield on the benchmark 30-year bond to a record low of 6.664 per cent, failed to stimulate buying interest.

Foreign stocks were boosted

by last week's cut in German interest rates, while bond prices rose on reports that the poor June job figures would persuade the Federal Reserve to postpone any plans for an interest-curbing rise in US rates.

General Motors surged \$1%

SAO PAULO put on 3 per cent in moderate midsession trade, the Bovespa index rising 0.42 to 56,502 by 1.00 pm local time. Midday volume was Cr\$3.8 trillion (\$67.5m).

The state-run telecoms combine Telebras climbed 3.7 per cent to Cr\$1,660 and mining giant Vale do Rio Doce turned in a 4.5 per cent gain at Cr\$3,970.

TO 544% on reports that Wall Street analysts were turning increasingly bullish on the stock in the wake of improvements in the company's product line. Ford rose 5% at \$45.91 and Chrysler 5% at \$46.11.

Selected technology stocks were hard hit by analysts' downgrades. Hewlett-Packard tumbled \$4 to \$76.70 in volume of almost 1m shares after SoundView Financial lowered its 1993 earnings forecast because of concerns over possible weakness in the printer

business. Tandem Computer slumped \$1 to \$104, after Morgan Stanley cut its investment rating from a "buy" to a "hold" and lowered its earnings forecast.

Gold stocks were back in favour as metals prices recovered. Newmont Mining firms \$1.4 to \$38.75. Homestake Mining added \$1.4 at \$20.75, and Battle Mountain Gold put on \$1 at \$10.

On the Nasdaq market Apple Computer firms \$4 to \$33.50 on news that the company plans to ship 16 per cent of its staff

Canada

TORONTO breached the 4,000 mark again before the TSE 300 composite index pulled back a little in brisk midday trading, registering a gain of 8.06 to 3,986.55 in volume of 48,63m shares valued at C\$665.65m.

Weakened oil and gas stocks placed a cap on the general market advance, the sector index falling 99.94, or 2 per cent to 4,825.53.

However, precious metals stayed strong, rising 247.30, or 2.6 per cent to a year's high of 9,985.06. On the New York futures market, Comex most active gold surged US\$5.30 to US\$392.00 per ounce.

EUROPE

Zurich heats up on UBS speculation

SPECULATION in Switzerland and, to a lesser extent, Germany gave bourses a lift. writes Our Markets Staff.

ZURICH raised the temperature again as investors heard more details of a Swiss 180m rights issue from BK Vision, the investment trust which currently has total funds of more than SF1.6bn, and which crossed swords recently with UBS, Switzerland's biggest bank.

BK Vision, said Mr Frederick Hassler at Swiss Volksbank, disclosed yesterday that 50 per cent of its holdings were in UBS. UBS led banks higher in very heavy trading, on speculation that the BK Vision rights issue would mean more big buying of UBS shares. The bears rose SF1.53, or 4.7 per cent to SF1.37 and topped the price list. In the same sector, CS Holding firms SF1.70 to SF1.80 and SBC SF1.2 to SF1.25.

The SMI index hit a new all-time high of 2,390.5, up 35.2 as turnover recovered after Monday's lull. The traffic was not all one-way. Nestle hit 2,100, falling SF1.12 to SF1.11 as the investment bank, Goldman Sachs, said in New York that it had removed the share from its recommended list.

FRANKFURT looked for

more rate cut speculation after the Bundesbank president, Mr Helmut Schlesinger, said in a speech late on Monday that western German inflation had risen at an average of 2.7 per cent over the previous three months on an annualised, and seasonally adjusted basis.

However, the Bundesbank then denied a report that a majority of central bank council members had wanted a sharper cut in interest rates than was decided on last week.

The DAX index rose by 8.70 to 1,700.37, nudged upward by some late buying of banks, as turnover rose from DM4.6bn to DM5.2bn.

Dresdner started with a DM5.60 rise to DM388.50 at the close, and a further gain to DM390 in the London post-bourse. Bayernhypo moved up DM2.50 to DM401.50 and then another DM3.50 to DM405 after hours.

Chemical companies were broadly higher, benefiting from the extended strength of the dollar, constructions, similarly, moved up in echelon, recovering from recent weakness.

PARIS resumed its upturn following Monday's losses, and the CAC-40 index put on 0.68 to 1,935.12. Turners remained weak at under FF120m.

Total lost an early gain on

news of progress in talks

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES									
July 6	Open	10.30	11.06	12.00	13.00	14.00	15.00	Close	July 5
FT-SE Eurotrack 100	1202.71	1202.09	1202.49	1202.69	1202.65	1203.22	1203.04	1203.50	1202.55
FT-SE Eurotrack 200	1256.05	1257.13	1258.55	1258.87	1259.25	1257.50	1257.90	1258.58	1258.52

Base value 1000. Open/High/Low: 100 - 1202.09; 200 - 1258.82. Closing: 100 - 1203.50; 200 - 1258.58.

shares closed marginally lower on the kerb, down L6 at L6235 ahead of car sales data which showed a fall of more than 28 per cent in June against the same 1992 period.

Helsinki continued to outperform many of Europe's markets on strong demand by foreign investors and positive company reports.

The Haxi index gained 3.12 per cent to 1,241.6, although it remained slightly below the year's high, recorded on May 21, of 1,248.

Nokia advanced FM8 to FM199 after announcing the sale of its electrical wholesale operations and a broker's upgrade.

ISTANBUL declined by another 3.2 per cent in reaction to the attack by Kurdish rebels on an eastern village which left 32 people dead. The composite index plunged 368.7 to 11,328.3 in turnover up to TL805m from TL805bn.

TEL AVIV dropped for the second consecutive day on weakness in the bond market, the Mishtamim blue chip index falling 2.87 to 1,943.0 in turnover of Shk1.77m.

VARSA reduced its rate of climb ahead of the release of half-year company results, but the WIG index still put on 12.37 or 3.3 per cent to 3,438.5 in active turnover of 541m (530m).

There was some interest in Fiat, partly on rumours of a strategic link up; but the

purchase of the oil group and Saudi Arabia as the price of crude weakened throughout the day. The shares slipped FF21.10 to FF268.90, while those of Elf Aquitaine lost FF2.50 to FF384.50.

Automotive issues were steady as James Capel reiterated its sell recommendations for Michelin, Peugeot and Valeo yesterday. The broker downgraded its 1994 profit forecasts for the three companies, although it noted that, in contrast with Michelin and Peugeot, Valeo's profits "should hold up relatively well". Valeo closed FF1.28 higher at FF1.81.

MILAN failed to respond to the Bank of Italy's larger than expected cut in the discount rate, announced after Monday's close. The discount rate now stands at its lowest level for 17 years.

The Comit index closed down 1.20 at 583.57. Ms Marie-Christine Keith, an Italian analyst at NatWest Securities in London, remarked that she had expected a stronger performance, given that the cut of one percentage point had exceeded expectations.

She expected the market to drift over the next few weeks, ahead of a number of announcements due by the end of the month. These include publication of the draft budget for 1994 and details of progress on privatisation issues.

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